European steel

Star treatment for the last time

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Your word is its command

Voice recognition computers move from dream to reality

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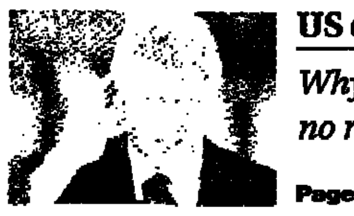

US economy

Why the OECD sees no room for stimulus

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France and Gatt

What will the answer be?

Page 5

FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY NOVEMBER 24 1992 — D8523A

Clinton cautioned against fiscal stimulus by OECD

The incoming Clinton administration should drop plans for fiscal stimulus next year and make healthcare reform a priority, the Organisation for Economic Co-operation and Development warned in a blunt assessment of US economic prospects. "There is no scope for any fiscal stimulus without compromising all pretence of controlling the federal budget deficit," the Paris-based group cautioned. Page 22; Details, Page 8; Editorial Comment, Page 20

GPA offers banks $20m: GPA, aircraft leasing company, offered its banks fees of around $20m and improved collateral in return for deferring up to $1bn of debt repayments for two years. "There was resignation among the banks that something has to get done to put GPA on a firmer financial footing," one of the 250 bankers at the meeting said. Page 23

PepsiCo, US soft drinks, snacks and restaurants group, stepped up its assault on the Spanish market, by acquiring Kas, a beverage brand owner, and Knoor Elorza which manufactures, bottles and distributes for both Kas and Pepsi. Page 23

Cancer warning: Depletion of the ozone layer could cause a dramatic increase in cancer over the next century – including 5m more cases and 70,000 deaths in the US alone, a US government official warned. Page 6

King Hussein snubs Gulf states:

King Hussein of Jordan defended his pro-Iraqi stance during the Gulf war in a snub to the Gulf states which ruins hopes of reconciliation between Amman and its southern Arab neighbours. Saudi Arabia, in particular, has sought an apology for Jordan's Gulf war stance as a condition of resuming relations, which have been frozen. Page 6

German rail pact: Siemens and Daimler-Benz, Germany's biggest industrial corporations, plan to tighten their railway engineering links in a move which could result in a world-scale locomotive, rolling stock and track systems group. Page 23

Debt accord reached: Russia and Ukraine removed a key obstacle to hopes of rescheduling the former Soviet Union's foreign debt of more than $70bn when they settled a row over Soviet assets. Page 4

Tobacconists join strike: A single cigarette in Rome yesterday cost as much as L1,000 (73 cents) as a strike in the state tobacco monopoly continued to paralyse distribution and 60,000 tobacconists prepared to join the protest. Page 22

SA disinvestment reversed: Investment in South Africa has risen over the past year with 506 non-US companies having direct investment or employees in the republic, against 454 a year ago, according to a US research institute. Page 6

Italy to split SME: Shares in SME, Italian state-controlled foods retailing and catering group, rose 8 per cent to L6,000 on the Milan bourse following the government's decision to split the company into three before privatisation. Page 23

UK predicts French compromise: Britain claimed France was likely to compromise on world trade despite objecting to the deal reached by the EC and the US on subsidised food exports. Paris plays for time, Page 4

Bosnia no-fly zone violated: There have been more than 100 violations of an international ban on flights over Bosnia since it came into force last month, according to the UN. Page 4

Rural poverty deepens: The number of rural poor in developing countries has risen by 40 per cent over the past 20 years, a new report says. Page 7

New York union indicted: New York district attorney Robert Morgenthau announced the criminal indictment of the newspaper deliverers' union on charges of defrauding the city's major newspapers for the past 16 years through a multi-million dollar racket.

Nissan Micra wins award: Nissan Motor became the first Japanese carmaker to win Europe's Car of the Year Award with its UK-built Micra. Production of the Micra, which beat the Fiat Cinquecento minicar and the Renault Safrane executive car, began in August.

STOCK MARKET INDICES

FT-SE 100	2,722.9	(-9.5)
Yield	4.43	
FT-SE Eurotrack 100	1,036.36	(-12.91)
FT-A All-Share	1,291.28	(-0.2%)
Nikkei	Closed	
New York lunchtime		
Dow Jones Ind Ave	3,232.22	(+4.86)
S&P Composite	425.88	(-0.97)

US LUNCHTIME RATES

Federal Funds	3 1/16%
3-mo Treas Bills: Yld	3.301%
Long Bond	106 1/32
Yield	7.551%

LONDON MONEY

3-mo interbank	7¼%	(7¼%)
Liffe long gilt future:	Dec 100 1/32	(Dec 99 11/32)

NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$19.075	(19.375)

Gold

New York Comex	$334.4	(335.3)
London	$334.35	(336.35)

STERLING

New York lunchtime:		
$	1.5165	
London:		
$	1.5185	(1.5205)
DM	2.4325	(2.4225)
FFr	8.2575	(8.2025)
SFr	2.185	(2.1775)
Y	188.50	(188.75)
£ Index	78.5	(78.4)

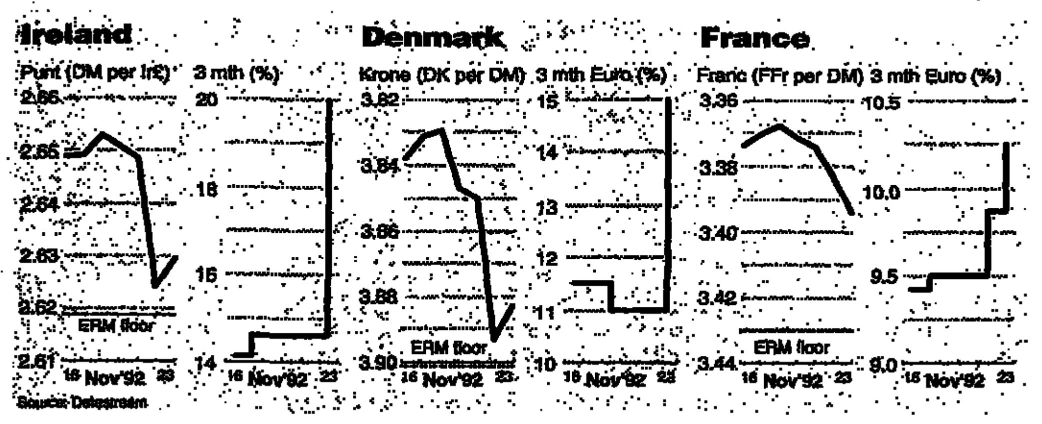
DOLLAR

New York lunchtime:		
DM	1.6045	
FFr	5.4445	
SFr	1.442	
Y	124.225	
London:		
DM	1.602	(1.5935)
FFr	5.4375	(5.395)
SFr	1.439	(1.432)
Y	124.15	(same)
$ Index	65.8	(65.5)
Tokyo close Y 123.5		

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00

EC governments raise interest rates in effort to protect ERM

By James Blitz in London, Lionel Barber in Brussels and Alice Rawsthorn in Paris



SEVERAL European governments yesterday threw a protective ring around the beleaguered exchange rate mechanism in an effort to prevent another crisis by sharply raising domestic interest rates.

The move was aimed at pre-empting the kind of intense selling which drove sterling and the Italian lira out of the ERM in the summer.

Denmark, Ireland, Spain and Portugal – four of the 8 governments whose currencies are members of the ERM – all increased short-term money market rates as tension continued to grip the currency markets following the weekend realignment of the system.

However, Germany yesterday appeared to be resisting pressures to cut its official interest rates, a move which would significantly ease current tensions because it would staunch the buying of D-Marks.

Mr Horst Köhler, a senior German finance ministry official, last night dampened hopes of an imminent cut in rates saying that the Bundesbank alone would decide when to ease rates and that conditions were not necessarily appropriate. "You can't press buttons," Mr Köhler told a meeting of EC finance ministers in Brussels.

The rise in rates across Europe had the desired effect of stopping speculative selling of vulnerable currencies. But the tightening of monetary policy in the middle of a Europe-wide recession led to renewed worries about whether the ERM, which has been existence for 13 years, could continue to survive without a radical overhaul for much longer.

There was particular concern about the French franc – which with the D-Mark is one of the linchpins of the ERM. The franc weakened against the German currency yesterday, forcing commercial banks to raise the price of short-term lending in francs.

Outside the ERM, Norway and Greece raised borrowing rates, while Iceland devalued its currency by 6 per cent.

Following the 6 per cent devaluation of the Spanish peseta and Portuguese escudo at the weekend, the chief focus of foreign exchange dealers yesterday was the Danish krone.

The krone was seen as a possible target for devaluation, because of Denmark's extensive trade links with countries which have already devalued their currencies. Dealers argue that, unless Denmark devalues, its exporters will lose ground to European countries which have already devalued.

Overnight rates in Denmark yesterday rose to around 50 per cent as the government aimed to give the krone support. However, the currency closed at DKr3.8818, close to its ERM floor of DKr3.9016.

In Ireland, the central bank said that it would offer overnight funds to banks at a rate of 30 per cent and said it was suspending its normal short-term facility rate of 13.75 per cent. The Irish punt closed at DM2.6297, however it dropped below its ERM floor against the strongest currency in the system, the Belgian franc.

There was concern, that a speculative attack on the Danish krone could herald similar assaults on other currencies, such as the franc. The franc weakened sharply against the D-Mark to a close of FFr3.394 from previous FFr3.386.

Three month money, which was quoted at 9⅛ per cent a week ago, stood yesterday at 10⅛ per cent.

In Brussels, Mr Kohler said he hoped the 6 per cent devaluation of the peseta and escudo last weekend would bring some relief to the ERM, but he added: "We reject any idea of linking automatically realignments with interest rate cuts."

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Lex, Page 22
Currencies, Page 40

Bonn may act to curb neo-Nazi groups

By Quentin Peel in Bonn and Judy Dempsey in Berlin

ACTION to halt the proliferation of racist, neo-Nazi groups in Germany is under urgent consideration, following the murder of a Turkish woman and two girls in an arson attack at the weekend.

As Germany reacted in shock and dismay yesterday to the news of the worst racial killing since unification, Mr Rudolf Seiters, the interior minister, announced that the security services were gathering evidence for a clampdown. Action would be taken in the near future, he said, but refused to give details for fear of undermining its effect.

Thousands of Germans staged spontaneous anti-racism demonstrations in several cities including Hamburg, Berlin and the northern town of Mölln, near Lübeck, where the killings took place. Berlin's protest was co-sponsored by its 140,000-strong Turkish community.

The government's top criminal prosecutor announced that he was taking personal control of the investigations into the killing of the 51-year-old Turkish woman, and two girls aged 14 and 10.

They died after two houses occupied for many years by Turkish migrant workers were set on fire. The police were tipped off by two informants, both of whom yelled: "Heil Hitler." Nine other occupants of the building were taken to hospital.

The attack was condemned as "shocking" and "disgusting" by politicians on all sides of the political spectrum, except for Mr Franz Schönhuber, leader of the extreme right wing Republicans, the largest far-right party in the country, who declined to comment.

"Hatred of foreigners is hatred of human beings," Mr Björn Engholm, leader of the opposition Social Democrats, declared.

"The state must act with determination against all terror and crime... The powers and competence of the police to fight right-wing terrorism must be strengthened and concentrated."

Chancellor Helmut Kohl expressed outrage on German television. On a state visit to Mexico, Mr Richard von Weizsäcker, the federal president,

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Martin Marietta pays $3bn for aerospace businesses

GE sale creates US defence giant

By George Graham in Washington

MARTIN MARIETTA, the US defence electronics group, is to pay $3.05bn for the aerospace businesses of General Electric, the US conglomerate, creating one of the country's largest defence contractors with combined annual sales of $11bn.

The takeover is one of the largest of a wave of deals aimed at restructuring the defence industry in the expectation that the US military procurement budget will continue to decline.

"The one thing I think I can absolutely promise is that these two companies will be much better off together than they would be alone," said Mr Norman Augustine, Martin Marietta's chairman and chief executive.

Mr John Welch, GE's chairman and chief executive, said his company had initiated the deal after a strategic review to find the best way of developing its aerospace division, whose operating profits have stagnated in a range of $640m-$655m over the last four years.

"We decided that clearly Martin Marietta was the best complementary fit... We talked to no one else in the industry," Mr Welch said.

Mr Augustine said there was virtually no overlap between their businesses – GE Aerospace is centred on satellites, radar, sonar and communications systems while Martin Marietta is stronger in launch systems and missiles. The sale does not include GE's aero engine business. The two groups had concluded negotiations in only four weeks.

While the deal offers few opportunities for reducing overheads by eliminating overlapping capacity, both Mr Welch and Mr Augustine said the newly combined group would be able to compete more effectively in the tighter defence market.

The new company will start with an order backlog of $19bn and about $3.5bn of civil and commercial business.

Mr Augustine said about $100bn a year in defence contracts was still "a non-trivial amount of money in our minds", and strong companies would win a disproportionate share.

GE will receive about $800m in cash, $750m in new debt and $1bn in perpetual convertible preferred stock and retain the right to $500m owed to the division by trade creditors. It will also take two seats on Martin Marietta's board.

GE said the aerospace division will have made a net profit of about $330m this year, and its sale at slightly over nine times earnings would dilute the group's earnings per share by under 2 per cent. The deal would, however, increase GE's growth rate by 1 to 2 percentage points, and the dilution should be overcome in less than two years.

Mr Augustine declined to predict the deal's impact on Martin Marietta's earnings, but said it would increase operating earnings, earnings per share, free cash flow and free cash flow per share.

Martin Marietta's debt to capitalisation ratio will rise to about 46 per cent due to the new debt the company will take on to pay for the acquisition, but Mr Augustine said this ratio would return to its current level of about 20 per cent within three years.

Analysis, Page 23
GE Capital, Page 26

Westinghouse acts to bolster finances with big shake-up

By Martin Dickson in New York

WESTINGHOUSE Electric – the US conglomerate which has been dogged for two years by bad property loans – yesterday announced plans to get out of financial services, cut its dividend, take a $1.13bn after-tax charge and sell off several businesses to bolster its crippled finances.

Mr Paul Lego, chairman, said the plan, which includes a management shake-up and debt reduction scheme, would enable Westinghouse to put "put our financial services problem behind us".

The drastic action had been foreshadowed by the company last week, but its shares rose strongly yesterday in morning trading on the New York Stock Exchange, to stand at $12⅝, up $2⅝ at lunchtime.

One of the main new elements yesterday was identification of the businesses Westinghouse plans to sell to help its finances. These are a distribution and control company, Westinghouse Electric Supply; Knoll International, the office furniture company; and Westinghouse Communities, a property developer.

Mr Lego said Westinghouse would now focus on three technology-based businesses – electronic systems, environmental systems and power systems – as well as on its leadership positions in transport temperature controls and broadcasting.

Westinghouse's problems surfaced some two years ago when property investments by its once high-flying financial services arm turned sour. Since 1990, it had already taken two charges totalling some $2.6bn to cover the deterioration in the portfolio.

Westinghouse, which had previously aimed to reduce its financial services operations over five years, will now sell assets rapidly, taking a $2.35bn pre-tax charge against fourth quarter earnings. There will be a further $300m charge for the financial unit's operating costs. The other businesses being sold will be accounted for as discon-

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EC will study plan for growth package

By Lionel Barber in Brussels

EUROPEAN Community finance ministers last night agreed to explore proposals for a co-ordinated economic growth package in response to fears of a 1930s-style slump in Europe.

Mr Norman Lamont, Britain's chancellor of the exchequer, will lead efforts ahead of the Edinburgh summit on December 11-12 to reach a common EC position on how to stimulate growth.

Despite general agreement on the need to break the deflationary cycle in Europe, divisions emerged during yesterday's meeting of EC finance ministers in Brussels over how to resolve the question of financing such a package.

Germany expressed reservations about European Commission proposals for a Community-wide effort to boost activity through lower interest rates and a "big bang" public works programme for roads and communications, part of which would be targeted at eastern Europe.

Mr Henning Christophersen, economics commissioner, said the Community could mobilise up to Ecu12bn ($14.9bn) using the European Investment Bank and a new European Investment Fund. This would stimulate private borrowing and ultimately inject an estimated Ecu50bn-Ecu60bn, the price for reviving the European economy.

Mr Horst Köhler, state secretary in the German finance ministry, called for realism and intelligence. "We will play a constructive part on growth initiative, but this is not the time for deficit-financed economic programmes."

British officials welcomed the debate on mobilising funds for infrastructure investment and helping sectors such as small and medium-sized companies, but they stressed that ministers had not discussed any firm figures, let alone agreed any.

They pointed to the recent UK autumn economic statement as a model which targeted specific areas for capital spending while keeping tight control over public spending overall.

Mr Lamont, who chaired the Brussels talks, will contact his fellow finance ministers in the

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LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Major pours cold water on big EC projects

By Ivo Dawney, Political Correspondent

MR JOHN MAJOR has firmly rejected ambitious plans for costly cross-border infrastructure projects to stimulate growth in the European Community, believing they would only add to member states' budgetary problems.

Instead, Downing Street stressed yesterday that the British presidency would seek the backing of its EC partners for the more modest goal of co-ordinated action to maintain or boost member states' capital spending programmes.

An outline of the parameters for talks on an EC growth strategy at next month's Edinburgh summit came as British officials brushed aside claims that the UK had conducted a U-turn by bowing to pressure to add the issue to an already crowded agenda.

As Mr Major met Mr Jean-Luc Dehaene, the Belgian premier, in Brussels yesterday in the first of a series of pre-summit bilateral discussions, Downing Street said proposals for multi-billion-pound infrastructure projects, widely reported to be under discussion in the European Commission, were not realistic.

British government officials, instead, sketched out a programme by which each country would attempt to co-ordinate its response to the economic downturn by taking similar domestic measures.

They said the UK presidency would urge action broadly parallel to that set out in the government's autumn statement on public spending earlier this month. This seeks to stimulate growth by maintaining capital spending projects and other supply side measures while holding down the public sector wages bill.

Such proposals fall substantially short of the measures being suggested by the Commission and several EC countries to fight slowing growth rates and unemployment.

Among the ideas under discussion is a European Investment Fund which would lend money for infrastructure projects, such as new roads and other communications links with eastern Europe.

Sir Leon Brittan, the senior UK commissioner, yesterday appeared to reflect Mr Major's views when he rejected such plans as "grandiose" and likely to exacerbate member states' budgetary difficulties.

However, he argued in a BBC interview that there was now a good case for a Community-wide drive to boost capital spending and to open up monopoly sectors to competition.

In London, a senior government official agreed there was now a broad consensus across the community that the Edinburgh summit should discuss fully how to react to the economic downturn.

By following the UK's medium-term programme of preserving capital spending schemes while restraining pay rises, member states could maintain the goal of budgetary convergence, he said.

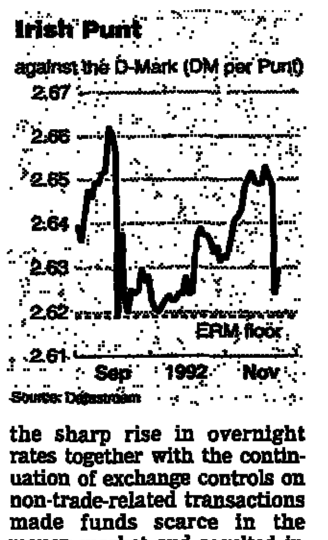
However, it was also pointed out that the Edinburgh agenda was already lengthy with such issues as enlargement, completion of the single market, future Community financing, Denmark's demands on the Maastricht treaty and the definition of subsidiarity.

The future of the exchange rate mechanism and the conclusion of the Gatt accord on trade are also certain to need time for debate.

Punt hangs on after rates rise

Tim Coone on Irish central bank action with an eye on the election

THE IRISH punt was spared an expected speculative assault in the foreign exchange markets yesterday after the Irish central bank pushed up overnight interest rates to 30 per cent. The move followed the devaluation of the Spanish peseta and Portuguese escudo at the weekend.



The bank suspended its normal overnight short-term facility (STF), which carried a 13.75 per cent interest rate, and replaced it with a straightforward secured overnight loan facility carrying a "minimum" 30 per cent interest rate.

Central bank one-week funds are available at 25 per cent. However, quotes for one-week interbank rates in Dublin were yesterday reported to be running as high as 100 per cent.

A rise in the STF would normally signal a rise in commercial bank rates and its suspension yesterday was being viewed in the market as a means of holding off a rise in those rates until after the general election tomorrow.

According to foreign exchange dealers in Dublin, the sharp rise in overnight rates together with the continuation of exchange controls on non-trade-related transactions made funds scarce in the money market and resulted in only light selling of the punt yesterday.

"The onslaught on the punt has not materialised," said Mr Jim Power, senior economist at the Bank of Ireland group treasury. He said: "It is now very expensive to go short on the Irish punt. It is very difficult to get any quotes for anything other than overnight funding and these range from 30 to 70 per cent."

Nonetheless, yesterday afternoon, the punt fell to its floor against the Belgian franc, at the moment the strongest currency in the ERM, at BFr54.02, although it stayed between half a pfennig and a pfennig above its floor against the D-Mark of 2.619. Unusually, the central bank refused to comment on whether it had been intervening in the market to support the punt by selling reserves, although under ERM provisions it would be obliged to intervene once a floor level had been reached.

Light trading was reported on the Irish gilts market also, but with values approaching their previous lows in October. The yield on the benchmark 9-year 2001 gilt rose to more than 10 per cent, indicating heavy discounting by the market.

Irish share prices closed a further 1.66 per cent up yesterday, the ISEQ index putting on 18 points to 1,152.92 after a 34.76 point gain last Friday on expectation of a devaluation of the punt.

According to Mr Dan McLaughlin, senior economist at Riada stockbrokers in Dublin, "the [overnight] interest rate increase may succeed as a holding operation, but it is now only a matter of time before a realignment." He said that the political uncertainty over the outcome of the election and the lifting of exchange controls at the end of the year "leave the punt looking very vulnerable".

If, as now seems likely, no party emerges with a clear majority from the election this week, negotiations over the formation of a new government could stretch well into the new year. Indeed, such negotiations could now be complicated over whether a continuing defence of the punt can be justified given the level of interest rates and their adverse effect on industry and mortgages.

Mr Power said: "The precedent [from September] would suggest that if the high money market rates continue into next week, then retail rates will also soon be pulled up."

Mr Norman Lamont, British chancellor of the exchequer, assembles documents for yesterday's EC finance council which he chaired in Brussels

Capital burden eased for financial advisers

By Andrew Hill in Brussels

INDEPENDENT financial advisers will not have to meet heavy EC demands to hold a minimum level of capital, Community finance ministers agreed yesterday.

Ministers exempted independent investment advisers from requirements to hold Ecu50,000 (£40,650) of capital as part of a formal agreement on the investment services directive.

But independent advisers will only be exempt if they simply pass clients' orders and payments on to dealers, do not deal in shares directly on their clients' behalf, and are subject to a proper ethical code.

The investment services directive will grant large investment firms a "single passport" to deal in shares around the Community. Ministers reached a broad agreement on the principal outstanding problems in June, but yesterday they eradicated member states' final technical objections.

Sir Leon Brittan, EC financial services commissioner, described yesterday's agreement as "the crucial and culminating step in the creation of the internal market in financial services".

The directive, which will work in tandem with a measure on capital adequacy requirements for banks and brokers, covers brokers, dealers, portfolio managers and underwriters of large share issues.

The final obstacles included Britain's concern that thousands of independent financial advisers would be crippled by the need to meet minimum capital requirements. Most member states have not developed a similar network of independent advisers, although Germany and Ireland will also benefit from the exemption.

Safeguards will prevent independent advisers exploiting their exemption in third countries, where they will still be covered by national restrictions.

Ministers also agreed that foreign exchange activities would benefit from the directive as long as they were linked generally to other broking activities. They rejected calls for individual transactions to be directly linked to securities deals.

France and Belgium had argued that banks and brokers would be able to set up foreign exchange operations in their countries independently of other activities, but under the compromise agreed yesterday that would not be possible.

Sir Leon also promised to bring forward legislation which would allow information on banks, insurance companies and brokers to be passed between supervisory authorities.

Smaller central banks put up the barricades

By Tom Burns in Madrid, Karen Fossli in Oslo and Kerin Hope in Athens

SPAIN, Portugal, Norway and Greece all raised interest rates yesterday and Iceland devalued the krona, as Europe's smaller central banks acted to protect their currencies after the weekend ERM realignment.

Norway claimed some success in the battle against currency speculation. But other central banks were waiting nervously for signs of whether yesterday's upsurge of speculation against the Danish krone and Irish punt will ebb.

Iceland's 6 per cent devaluation – matching the weekend moves affecting the Spanish peseta and Portuguese escudo – was accompanied by a package of consumer tax increases and cuts in company taxes as part of an attempt to curb unemployment.

Leading yesterday's action was the Bank of Spain, which raised its benchmark intervention rate 0.75 points to 13.75 per cent to shield the peseta from pressure. The move appeared to be an attempt to pre-empt fresh assaults on the peseta after Spanish exchange controls are lifted today.

The peseta eased yesterday slightly below its new central parity in the ERM of Pta72.06 to the D-Mark, adding to speculation of a more significant fall today.

The Spanish exchange restrictions, introduced following a 5 per cent devaluation of the peseta during September's foreign exchange upheavals, had already been partially lifted on October 5.

The Bank of Portugal also pushed up domestic money rates, supplying liquidity to the banks at interest rates of up to 20 per cent, six points higher than its regular intervention rate of 14 per cent.

Dealers reported Bank of Portugal intervention to protect the escudo's new ERM parity. The bank declined to confirm the reports, but said it was "determined to protect the escudo's stability".

Greece does not participate in the ERM, but since September has pegged the drachma against the D-Mark. It announced an increase in interest rates on Treasury bills – the main financial instrument favoured by foreign investors.

The interest rate on the one-year bill is expected to be increased from 21.5 to 23 per cent next week.

Norway's central bank meanwhile said its strategy to defend the krone against devaluation had so far proved successful, with currency starting to flow back into the country.

The central bank raised the key overnight lending rate to 25 per cent yesterday from 17 per cent on Friday, when it was increased from 10 per cent. It currently stands at its highest level since 1986, when it was briefly increased to 50 per cent, just before the country's last devaluation.

The central bank also limited the banks' access to borrowing by imposing a 40 per cent interest rate penalty if daily borrowing exceeds the limit.

Norway was the first Scandinavian country to link its currency to the European currency unit, from October 1990. Sweden abandoned its Ecu link last Thursday.

Yesterday the Norwegian krone strengthened to NKr8.00539 per Ecu, or some 0.14 per cent below the central Ecu rate, after falling 0.71 per cent below the rate on Friday.

Dealers said the Bundesbank had helped support the krone and the Bank of Norway had used NKr20bn-NKr40bn last Thursday and Friday to defend the currency, but this could not be confirmed.

EC urged to learn BCCI lessons

By Andrew Hill in Brussels

THE European Community was urged yesterday to strengthen its legislation to avoid a repeat of last year's collapse of the Bank of Credit and Commerce International.

Sir Leon Brittan, financial services commissioner, suggested to finance ministers a series of additions and amendments which he thinks should apply to the whole financial services sector.

Based on the recommendations of four EC inquiries into the BCCI affair, he wants to:

- oblige financial groups to have a transparent corporate structure, easing supervision;
- make it compulsory for such groups to have their head office and registered office in the same country;
- require external auditors to report "relevant information" on financial groups to the supervisory authority;
- allow financial supervisors to pass information to official inspectors investigating fraud and abuses of company law.

Sir Leon said he also hoped to strengthen international co-operation between supervisors by pressing for agreements between the EC and third countries, particularly the US and Japan. He also wants a ministerial or Commission recommendation laying out the circumstances in which supervisors could veto the appointment or reappointment of external auditors.

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Pact near to avert east German industrial collapse

Bonn U-turn on intervention

By Quentin Peel in Bonn

THE German government, opposition and trade unions appear headed towards agreement on long-term state intervention to prevent the complete collapse of east Germany's former industrial heartland.

The deal would be the core of a "solidarity pact" between the government and unions, as well as employers and the 16 federal states, involving a commitment to wage restraint from trade union leaders.

Agreement on such a pact could provide the indicator demanded by the German Bundesbank as a precondition for any significant reduction in interest rates.

Mr Björn Engholm, leader of the opposition Social Democrats (SPD), met Chancellor Helmut Kohl yesterday for talks at which demands for an interventionist industrial policy topped the agenda.

The aim is to keep key industries going in eastern Germany, even if the Treuhand privatisation agency fails to sell them off to the private sector in the next 12 months. At present, there are 3,200 such companies on the Treuhand books, and investment from the west is slowing markedly.

Such a policy would amount to a major reversal of government strategy in the east, and a significant victory for the trade unions to present in exchange for wage restraint. The government has insisted companies unable to be privatised must close.

The change in direction was confirmed yesterday by Mr Jürgen Möllemann, the economics minister, immediately responsible for subsidy programmes in eastern Germany.

In a radio interview after talks among leaders of the ruling coalition on Sunday night, he said the government was determined to prevent the "de-industrialisation" of the region.

"Firms which cannot be privatised at the moment, but which it is clear could be salvaged, will be kept alive over an extended period with government funds so that the industrial core is not lost," he said.

The policy switch was also confirmed by Mr Peter Hintze, secretary general of Mr Kohl's Christian Democrats (CDU), who said there was agreement in the party leadership over the proposal that "industrial cores" in east Germany be preserved.

The trade unions, led by Mr Franz Steinkühler of IG Metall, the engineering workers' union, and Mrs Monika Wulf-Mathies of the OTV public sector workers' union, have demanded that key industries should be defined according to their sector and regional importance.

They conducted several rounds of secret talks with the chancellor before details emerged last week.

Before Mr Engholm went in to yesterday's talks with Mr Kohl, his party declared that a new industrial policy in the east was top of its agenda.

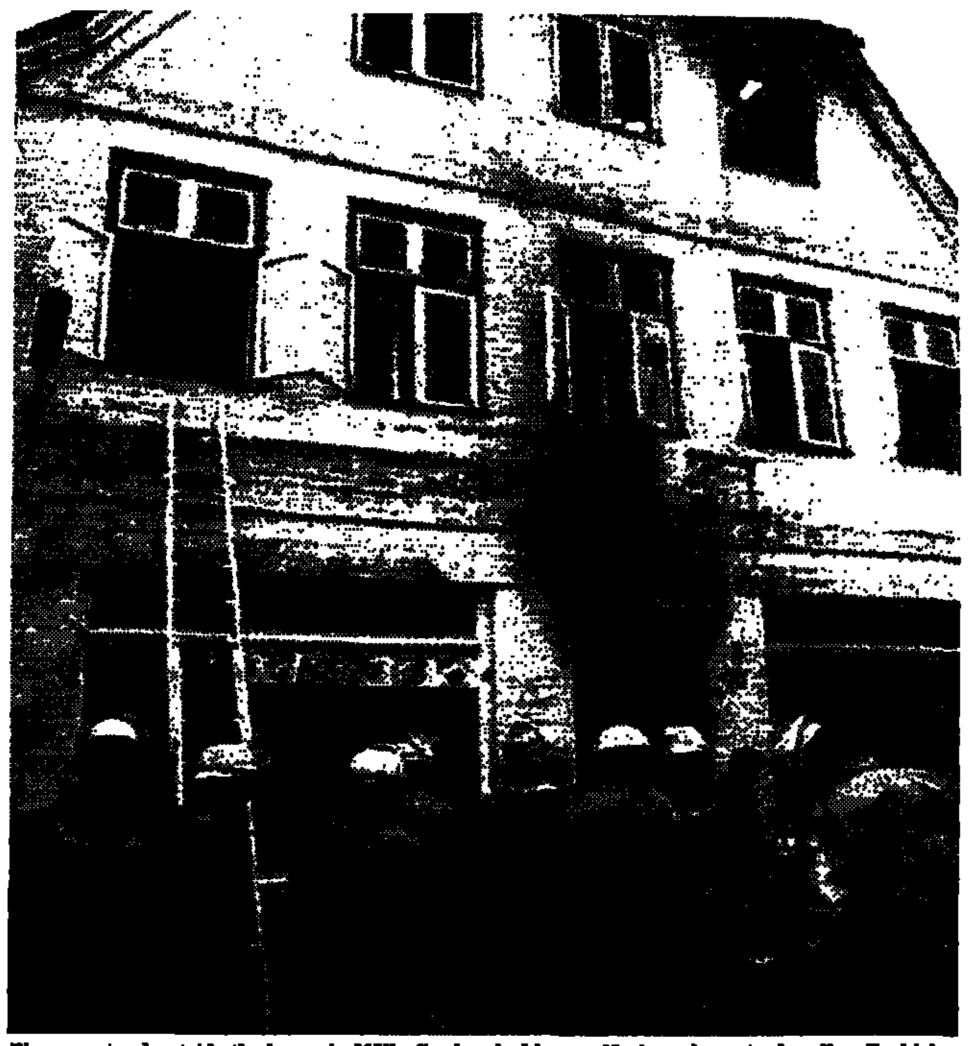
"Whole branches are threatened, like engineering and the textile industry," said Mr Karl-Heinz Blessing, the party secretary-general. "We cannot expect new private investment in the new Länder in significant amounts."

He quoted Mercedes-Benz' recent decision not to go ahead with a DM1bn truck plant south of Berlin.

INFLATION and money supply growth are still too high in Germany, Mr Johann Gaddum, a Bundesbank council member, warned yesterday. His comments are likely to further damp expectations of an interest rate cut this year, writes David Waller in Frankfurt.

Mr Gaddum said inflation, currently running at 3.7 per cent, was unjustifiably high, especially because import prices had fallen sharply and producer prices had remained stable. He blamed high rents and price increases in the service sector, in building, in administrative charges and rentals, for what he called "home-made inflation".

He warned further that the outlook for inflation was bad because of the effect of the VAT increase next January and of wage increases out of line with productivity. The government's main priority should be to save, not to try to keep everyone happy. Mr Gaddum warned that special factors could not explain away the fact that M3 money supply growth, at 9.3 per cent, was way above the 3.5-5.5 per cent target range. September's interest rates cut had not been justified by price and monetary developments, and should be seen as an advance against future good behaviour.



Fireman stand outside the house in Mölln fire-bombed by neo-Nazis early yesterday. Two Turkish women and a 10-year-old girl were killed; others were injured.

Inflation rate at 4-year low in Italy

By Robert Graham in Rome

ITALIAN inflation has fallen to its lowest level in four years and is now running at 4.9 per cent on an annualised basis.

According to preliminary figures released by Istat, the national statistics institute, consumer prices increased by a maximum of 0.6 per cent in the main cities during November. Complete figures, due shortly, are considered unlikely to show any significant variation.

This is the fourth successive month that inflation has dropped. Price rises on an annualised basis have not been below 5 per cent since 1988.

Declining inflation reflects a combination of capped public sector wages, frozen utility tariffs and recession.

The impact of the September devaluation and subsequent float of the lira outside the ERM has yet to be felt on inflation. The government is hoping depressed domestic demand will limit inflationary pressures.

Yesterday, the industrialists' confederation, reported production down by 5.1 per cent this month on last November.

European car sales set to fall

By Kevin Done,
Motor Industry Correspondent

WEST European new car sales are expected to fall 3.5 per cent next year, the largest drop for more than a decade. The German and Italian markets are forecast to contract sharply, while France and Britain stage a slow recovery.

Worldwide, however, 4.1 per cent growth is expected, to 35.2m from 33.8m, ending two years of decline.

The latest report by DRI automotive analysts says demand will recover strongly next year in North and South America, and growth will continue high in the Asia/Pacific region, excluding Japan.

Sales in North America fell sharply from 1989 to 1991 and recovery this year has proved weak, with estimated growth of 1.6 per cent to 9.2m.

According to the report sales in North America will jump 11 per cent in 1993 to 10.25m, and by 10.2 per cent to 1.46m in *Latin America*, helped by strong growth in Brazil.

Sales in Japan fell by 4.6 per cent in 1991, and a 8.2 per cent drop is forecast this year to 4.47m. Demand should be virtually unchanged there next year, recovering gradually in 1994. Sales are not expected to exceed 5m, the level reached in 1990, until 1997.

Excluding Japan, demand in the Asia/Pacific region is expected to expand by 9.5 per cent in 1993 to 2.52m after an increase of 9.9 per cent this year. By 1996, sales are forecast to grow to 3m from 2m in 1990.

The weakest demand is forecast for west Europe, where sales are expected to decline by 3.5 per cent in 1993 to 12.83m following a drop of 1.7 per cent this year to 13.29m.

The surge in demand that followed German unification is now subsiding, and sales there are expected to fall from 4.16m in 1991 to 3.88m this year, a drop of 7 per cent, and by 11 per cent in 1993 to 3.45m.

The report suggests Volkswagen, Fiat and GM Europe (Opel/Vauxhall) will suffer disproportionately among the big six in Europe with falls of 100,000 or more next year.

Production in west Europe is forecast to drop by 270,000 or 2.2 per cent next year to 12.89m, with Germany and *Italy falling back sharply.* Growth in output in the UK will be supported, however, by rising production by Nissan, Toyota and Honda.

DRI Automotive Forecast Report - Winter 1992, DRI/McGraw-Hill, Wimbledon Bridge House, 1 Hartfield Road, London, SW19 3RU. £2,600.

WORLD CAR SALES FORECAST (000s)

	1992	1993	1994	1995	1996
WORLD TOTAL	33,837	35,211	37,024	38,937	40,011
Germany	3,880	3,450	3,540	3,685	3,752
Italy	2,374	2,169	2,148	2,254	2,260
France	2,044	2,133	2,249	2,388	2,429
UK	1,559	1,660	1,869	2,065	2,203
Spain	976	920	1,000	1,103	1,211
EC total	12,397	11,925	12,455	13,211	13,611
West Europe total	13,293	12,830	13,430	14,257	14,727
East Europe**	1,683	1,927	1,983	2,286	2,400
US	8,444	9,422	9,731	9,852	9,826
Japan	4,471	4,493	4,707	4,838	4,934
South Korea	850	940	1,030	1,095	1,143

WORLD CAR PRODUCTION FORECAST (000s)

	1992	1993	1994	1995	1996
WORLD TOTAL (net)*	34,352	35,465	37,207	38,741	40,323
Germany	4,761	4,355	4,353	4,426	4,531
France	3,266	3,203	3,329	3,465	3,627
Spain	1,872	1,823	1,907	2,074	2,137
Italy	1,517	1,394	1,597	1,640	1,708
UK	1,215	1,419	1,572	1,754	1,926
EC total	12,895	12,571	13,216	13,927	14,566
West Europe total	13,183	12,892	13,585	14,312	14,959
East Europe**	1,693	2,008	2,155	2,200	2,458
US	6,032	6,672	6,839	6,951	7,239
Japan	9,375	9,241	9,455	9,724	9,920
South Korea	1,292	1,431	1,566	1,704	1,747

*Excluding traceable double counting.
**Including Commonwealth of Independent States.
Source: DRI World Automotive Forecast Report - Winter 1992.

Czechoslovakia in new divorce move

By Anthony Robinson

THE tri-cameral Czechoslovak federal assembly will try again today to terminate the Czech and Slovak federation legally. Last week the Slovak part of the chamber of nations, the bicameral lower house, failed by three votes to approve the country's "velvet divorce."

Czech and Slovak authorities have in the meantime finalised many technical issues raised by separate statehood.

One agreement makes the Czech and Slovak governments jointly and separately responsible for the $200m three-year, 9 per cent notes issued by the Czechoslovak State Bank in November 1991. The notes mature in November 1994 but require the bank to repay capital and due interest in case of default.

The technical grounds for default include dissolution of the Czech and Slovak federal republic or the state bank. Both will take place on January 1 when two separate states and two separate central banks will emerge from the old federation.

However, the state bank has organised a noteholders' meeting on December 14 in London at which they will be offered a choice between redeeming any notes tendered by December 11 or retaining the notes on the original terms but with the addition of a dual guarantee from the Czech and Slovak governments.

Russia agrees debt accord with Ukraine

By Leyla Boulton in Moscow

RUSSIA and Ukraine yesterday removed a key obstacle to a western plan to reschedule the former Soviet Union's foreign debt when they agreed to settle a row over Soviet assets and to let Moscow handle western creditors.

The accord between the two rivals gives western creditors an opportunity to reschedule the foreign debt of more than $70bn (£46bn) at talks which start in Paris today.

After months of refusing to give up its 16.5 per cent share of the debt until it got a similar share of the assets, Ukraine has finally allowed Russia, the only republic to make any debt repayments since the collapse of the Soviet Union, the sole right to negotiate with western creditors.

The Ukrainian government has also given up claims on debts owed to the Soviet Union by its former Third World allies.

In theory, these debts amount to more than $100bn, but are performing so poorly that Russia has been trying to sell them.

In return, Moscow, which has persuaded most other republics to give up all claims on all former Soviet assets in return for assuming their share of the debt, has promised to negotiate with Kiev a special pact on sharing out remaining assets and liabilities.

The Ukrainian government says this means it will get a share of former Soviet embassies abroad, as well as reserves of gold, hard currency, and diamonds which it has accused Russia of hoarding for itself, but which Russia denies having.

The only catch to the hard-won agreement not to wash their dirty laundry in public is that both parties reserve the right to renounce it if they fail to agree a bilateral pact by the end of the year.

While their agreement may eventually unravel, both of the republics are now under pressure to clear the way for a rescheduling accord.

The Russian government has been particularly anxious to clinch a rescheduling agreement before a critical session of the Russian super-parliament on December 1.

The new government in Ukraine, meanwhile, realises that it is more profitable for the struggling republic to get rid of the Soviet debt burden.

It is now up to western creditors to decide which debts to include in a rescheduling.

Germany wants to stick to a cut-off date of January 1 1991, while the US, which has a very small exposure, is sympathetic to Russian demands that it cover all debts incurred until the Soviet Union's collapse in December 1991.

● Experts for the Russian government and the main Civic Union opposition group have agreed a compromise anti-crisis plan which must now be approved by political leaders of both sides, Leyla Boulton writes.

The plan is part of moves by President Boris Yeltsin to salvage the thrust of market reforms and the composition of his cabinet ahead of the potentially stormy December 1 session of the super-parliament.

The document rejects a return to price controls and old-style state procurement demanded by the Civic Union, but puts more emphasis on protecting the poor and minimising unemployment.

The document also appears to assume that monetary and credit policy will continue to be improvised by the government and the Russian central bank.

The document makes no changes to the government's privatisation programme.

However, it does call for more support to create small businesses in industry and other productive spheres, and for the speeding of small-scale privatisation.

Bosnia no-fly zone 'violated over 100 times'

By Laura Silber in Belgrade

THE United Nations said yesterday there had been more than 100 violations of an international ban on flights over Bosnia-Hercegovina since it came into force last month.

Mr Cedric Thornberry, deputy head of the UN Protection Force (Unprofor), said flights involved helicopters and fixed-wing aircraft. "There has been a good deal of flying over Bosnia, despite the Security Council resolution. Well over 100 flights were registered in the past month."

World attention has been focused on numerous Serb violations of the flight ban, but Mr Thornberry said Croat and Moslem forces have also violated the no-fly zone.

"It is too early to say for certain whether or not some were combat flights, but it cannot be ruled out since it has been clear that helicopter flights are being made with the deliberate intention of avoiding radar," he said.

Diplomats said that military equipment was probably being smuggled in by Croats and Moslems in defiance of an arms embargo on the former Yugoslav republics. The UN on May 31 imposed sanctions on Yugoslavia for its support of Serb fighters in Bosnia. The international community has threatened Croatia with sanctions because of its direct involvement with Serbia in the partition of Bosnia.

The Croatian government has denied any military presence in Bosnia. But Mr Thornberry said the Croatian Defence Council, which controls Bosnia's Croat forces, had told UN peacekeepers that the Croatian army controls large stretches of territory around Mostar, in the south of the former Yugoslav republic.

A European diplomat said yesterday: "Western governments have not taken any action against Croatia, although "they know the exact sizes and elements of the Croatian army involvement".

The ban on flights over Bosnia, adopted by the Security Council on October 9, did not authorise the use of force against violators. Mr Thornberry said: "It is not for us to decide what to do about these flights. That is for the Security Council."

Although most of the seven-month war in Bosnia has been waged on land, the no-fly zone, which can be monitored, has been openly flouted. "The ban is a potential flashpoint. It could push the west to take action," said one diplomat. Fighting yesterday continued in Sarajevo. After a heavy day of shelling on Sunday, Mr Thornberry said 192 shells were counted by UN observers – all but two of them fell on Bosnian government positions. Despite the failure of ceasefire agreements to take hold, the international airlift has continued. Since July, 1,568 aid flights have reached Sarajevo.

In the Adriatic, western warships stopped and searched two merchant ships – one Syrian, one Slovene – less than 24 hours after a naval blockade on former Yugoslavia came into force, but let them go after nothing suspect was found.

UK visit by Turkish PM concentrates on Balkans and Cyprus

Turks offer force to aid Moslems

By Robert Mauthner, Diplomatic Editor

TURKEY is prepared to participate in any military action subject to international agreement to stop the dismemberment of Bosnia and the slaughter of hundreds of thousands of Moslems, Mr Suleyman Demirel, the Turkish prime minister, said in London yesterday.

However, his government would only act in the context of an international operation decided by the United Nations or the Conference on Security and Co-operation in Europe.

Mr Demirel, in London for talks with Mr John Major, the British prime minister, and to address the Confederation of British Industry, said the Balkan countries would discuss possible joint action to deal with the Bosnian crisis at talks in Turkey starting tomorrow.

He warned of the risk of the Bosnian conflict spreading to other countries. If Kosovo, where the majority population is Moslem, but which Belgrade considers to be an integral part of Serbia, and Macedonia became involved in the fighting, the risk of still greater bloodshed would be great.

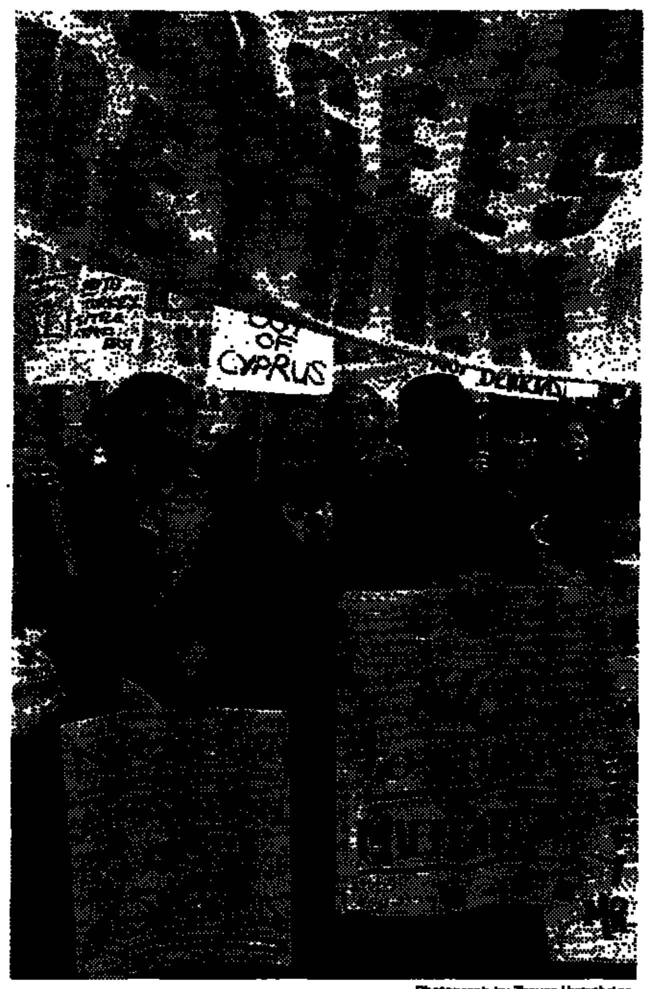
In his speech to the CBI, he urged European business leaders to use Turkey as a gateway to the newly emerging former Soviet Asian republics and highlighted the possibility of exploiting natural gas fields in the area, with plans already under discussion for a possible pipeline to the west.

Mr Demirel refused to be drawn on whether Turkey would extend its agreement, which expires at the end of the year, allowing US, British and French aircraft to use Turkish bases for the protection of Kurdish "safe havens" in northern Iraq.

Though he gave no indication that the authorisation would not be extended, he emphasised that Turkey was particularly concerned about the declared intention of some Kurdish factions to set up an independent Kurdish state.

"Turkey cannot accept such an idea. Iraq should not be divided," he said, indicating that it had to be made very clear that any renewal of the agreement should not be seen as an encouragement of Kurdish separatist aspirations.

Turning to the Cyprus problem, Mr Demirel refused to distance himself from Mr Rauf Denktash, the leader of the self-styled Turkish republic of northern Cyprus, increasingly seen by UN officials as one of the most serious obstacles to an agreement on a reunification of the island as a federated state. "We are giving all the encouragement necessary for a successful conclusion of the negotiations. But we cannot tell Mr Denktash to surrender. He definitely represents his people. His elimination from the situation would create very great problems."



Photograph by Trevor Humphries

Greek-Cypriots protesting against the Turkish PM's London visit

EC progress on Greek dispute with Macedonia

By Kerin Hope in Athens and Frances Williams in Geneva

GREECE and Macedonia are close to solving their dispute over finding a name by which the European Community could recognise the former Yugoslav republic, the EC special envoy on the Macedonian question said yesterday.

Mr Robin O'Neill, a retired ambassador who has been shuttling between Athens and Skopje for two months, said: "I believe we are as close to a solution as you can be. It's for the government of Skopje to take the decision."

The Macedonian government is due to make up its mind by tomorrow so that Mr O'Neill, acting for the British EC presidency, can prepare for a decision on recognition to be taken at next month's EC summit in Edinburgh.

Both Athens and Skopje have been urged to accept a compound name in which the word Macedonia is used as an adjective not a noun.

While the EC leaders may be unwilling to reverse their joint support at the Lisbon summit in June for the Greek view that Macedonia should not be recognised under that name, Greece fears that if Macedonia decides at the last minute not to compromise, individual member-states may go ahead with recognition after the summit. Mr Constantine Karamanlis, the Greek president, last week sent a letter to the other EC heads of state ahead of the summit, which reportedly warned that Greece might close its border with Macedonia if it was granted recognition by that name.

Macedonia, so far recognised by only a handful of countries, among them Russia, Turkey and Bulgaria, has been lobbying actively for recognition and has already applied for membership of the United Nations.

Mr Constantine Mitsotakis, the Greek prime minister, is staking his political survival on the issue. Speaking in Geneva yesterday after meeting Mr Cyrus Vance and Lord Owen, co-chairmen of the international peace conference on ex-Yugoslavia, Mr Mitsotakis said Greece stuck by its position that the term Macedonia could not appear in the internationally-recognised name of what he called the "Republic of Skopje".

Feeling runs so high among Greeks that the national karate team pulled out of a competition in Spain last week where the Macedonian team was competing under the country's new flag, emblazoned with a sunburst design apparently inspired by the ancient insignia of Alexander the Great.

NEWS: WORLD TRADE

French farm deal opposition is political arm-waving

Paris seems to be playing for time to prepare a climbdown, writes William Dawkins

THE FRENCH government's refusal to accept the US-EC farm trade accord might look incomprehensible to some, but it is playing a rational, if high-risk, game.

The signs are that Paris is playing for time so that it can find a way to climb down and accept the deal without provoking too much domestic unrest. The Socialist administration at the same time has to threaten to veto the deal to guarantee its own survival. But it is unlikely to carry this through.

To brandish the veto "would be to recognise our weakness and admit our isolation", Mr Jean-Pierre Soisson, the agriculture minister, told a French newspaper yesterday.

The most forceful note came from Mr Pierre Bérégovoy, the prime minister, in a television interview a day earlier, but even that was half-hearted. France might veto if the worst came to the worst, but the accord must first be discussed by the European Commission and then by EC foreign and farm ministers, he said. Mr Soisson has called for an emergency EC ministerial meeting to debate the deal next week.

Even if the government did plan to carry out its threat of a veto, President François Mitterrand has good reasons and the constitutional power to overrule it.

For one thing, a French veto would spark a diplomatic crisis in the EC when the Community is already at its weakest for years. Mr Mitterrand has devoted much of his political life to building up, not demolishing Europe, even to the extent of putting his own survival in the balance in the September referendum on Maastricht.

For another thing, Mr Mitterrand is in no mood to do the Socialist party any special favours, as shown by his recent lack of support for senior Socialists in the blood transfusion scandal.

He needs the party to stay in government until the general elections next March because an early change of government could leave him uncomfortably exposed. But beyond that, he knows that a conservative administration is likely to win the election and has already said he is ready to work with such a government, as he did in 1986-88.

All this invites the question of whether the opposition will be able or willing use this crisis to dethrone the government early and unsettle Mr Mitterrand.

The opportunity will come tomorrow when the government will hold an extraordinary debate on the deal in the national assembly, the first

Pierre Bérégovoy: promised to use veto if necessary

since the Gulf war.

As it must in these circumstances, it has resorted to article 49-1 of the constitution, under which the government puts its own survival on the line on matters of general policy.

Now as during the Gulf war, the conservatives can hardly vote against the government – which does after all oppose the EC-US deal – for defending a vital national interest.

The right depends even more on the agricultural vote than does the left, has unanimously denounced the deal and pressed hard for a veto. Mr Jacques Chirac, leader of the RPR Gaullist party, has called it "a Munich of agriculture", in reference to the 1938 Munich betrayal.

Moreover, the right can only get a majority in the national assembly if the Communists support it. The French Communist party is so anti-American that it can hardly vote against a government that has itself taken a tough anti-US line.

All this suggests that opposition parties, who have not yet decided how to vote, will either reluctantly support the government's stance on the deal, or abstain tomorrow.

The RPR will probably "support the position of France and not that of the government", said Mr Jacques Toubon, a Gaullist MP from Paris.

In theory, the opposition could vote against the government for not being tough enough, but that would lack credibility given Mr Bérégovoy's promise that France will use the veto if necessary.

It might also be unwise given that the RPR and centre-right UDF leaderships continue to be so divided on other issues that they are in poor shape to fight an election, let alone lead France through the trade war that would follow a veto.

The Communists, meanwhile, have an interest in keeping Mr Bérégovoy in power because they know they would lose national assembly seats in a general election.

All this suggests that the opposition will try to use the debate tomorrow to blame the government for having botched the negotiations and to put pressure on it to threaten to use the veto more aggressively.

An important sub-plot to this drama is that the farm trade row has added to the growing general unrest over France's position in the EC, shown in the narrowness of the Maastricht referendum result.

"The enemy is not the US, it is the European Community," said Mr Philippe Séguin, the rebel Gaullist MP who led the campaign against the Maastricht treaty.

"What is at issue is the...liberty taken by the Commission to defend positions which threaten member states' fundamental interests."

Farmers single out Coca-Cola factory in anti-US protest

By Alice Rawsthorn in Paris

COCA-COLA yesterday became the latest US-owned company singled out for attack as a symbol of US capitalism by militant French farmers stepping up their protests against last Friday's EC-US farm trade deal.

A group of 300 angry farmers demonstrated outside the Coca-Cola factory at Grigny, southern Paris. They occupied the plant, halting the production process, and burning tyres beside the Coca-Cola symbol nearby.

For the militant French farmers, the Coca-Cola blockade was one of a series of demonstrations staged yesterday ahead of tomorrow's nationwide protest against the trade deal. But for Coca-Cola and other French subsidiaries of US groups, the demonstration poses a serious threat to the stability of their businesses.

Demonstrations are part of daily life in France. About 6,000 protests a year are held in Paris alone. The farmers are particularly inventive. One of their favourite ploys, the *Opération Escargot*, whereby convoys of farmers drive tractors at a snail's pace, has been highly successful at generating media coverage and creating chaos on the French roads.

Recently, the farmers have taken to aiming at carefully selected targets. One of the most successful *Opérations Escargots* took place this spring when a group of farmers sealed off the roads around the EuroDisneyland theme park outside Paris as part of their campaign against EC farm reforms.

The latest round of Gatt demonstrations have been more aggressive and overtly anti-American in tone. The farmers started last week by burning the US flag outside the American embassy in Paris, continuing this weekend with demonstrations outside French branches of McDonald's fast food chain. McDonald's at Amiens was forced to close on Saturday night; angry scenes occurred outside the Lille branch as farmers set fire to piles of straw.

The farmers have continued to hit other targets, such as government buildings. There were other protests at Châlons-sur-Marne, Arles and Blois yesterday. But, as the French farmers are well aware, assaults on US corporate targets attract most media attention, causing maximum embarrassment for the French government.

The US embassy has stepped up its security and McDonald's has circulated emergency instructions to its 236 French branches. McDonald's has, somewhat belatedly, begun an "information campaign" directed at the farmers' unions, pointing out that its French branches buy most of their meat, grain and vegetables from farms in France.

Luxembourg minister may win MacSharry job

By David Gardner in Brussels

LUXEMBOURG has appointed Mr René Steichen to its seat on the 17-member European Commission, with a strong chance he will take over the EC farm portfolio from Mr Ray MacSharry next year.

Mr Steichen, 42, has been agriculture minister in Luxembourg's Christian Democrat-led coalition since 1989.

He takes over the Grand Duchy's top spot in Brussels from Mr Jean Dondelinger, the cultural affairs commissioner, whose health has been poor.

In September, Mr MacSharry turned down the Irish government's invitation to stay on in his post.

He has announced that he is retiring from public life to pursue a career in the private sector. Since then, no obvious candidate to succeed him has emerged.

The post of agriculture commissioner brings control over more than half the Community budget, and by tradition is held by a small country.

It holds diminished attraction now that Mr MacSharry has settled reform of the Common Agricultural Policy and has negotiated agreement with the US on long-running disputes with the EC over subsidised food exports.

It is also possible that in the new Commission, which is due to take office from January 1, 1993, agriculture's international dimension will be hived off, leaving Mr MacSharry's successor the important but mundane job of managing markets.

Mr Steichen has also had charge of cultural affairs, and could fill Mr Dondelinger's job; however, he seems an obvious choice for agriculture now that mooted candidates from Portugal and the Netherlands have failed to emerge.

Mr Antonio Cardoso e Cunha, the Portuguese commissioner, is to be replaced by Lisbon's foreign minister, Mr Joao de Deus Pinheiro, rather than Mr Arlindo Cunha, the farm minister who chaired the last stage of the CAP reform talks.

Mr Frans Andriessen, the EC external affairs commissioner, seems likely to stay for another two years.

Two possible replacements from Holland, Mr Piet Dankert, minister for Europe, and Mr Gerrit Braks, a former farm minister, had also been canvassed for the agriculture job.

It was rumoured in Brussels in recent weeks that France might get the farm slot, in order to help offset its farmers' hostility to the CAP and Gatt reforms.

Few Commission officials or EC diplomats give this idea credence, but it may resurface during the difficult negotiations in coming weeks between France and its partners.

Luxembourg's appointment makes it certain that there will be at least five new commissioners in January, though this number could still rise to eight or nine.

Gatt talks to resume in Geneva on Thursday

By Frances Williams in Geneva

SENIOR trade negotiators will meet on Thursday in Geneva to relaunch the 108-nation Uruguay Round of trade liberalisation talks, with the intention of reaching agreement on outstanding policy issues by the end of the year.

The meeting of the Trade Negotiations Committee (TNC) follows last week's settlement by the US and the European Community of their farm trade squabbles that held up progress in the multilateral talks for nearly a year.

Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade (Gatt) and TNC chairman, said countries now had the opportunity to negotiate "a package of results acceptable, and of benefit, to all the participants in the round". He said "hard work and further determination at the political level" was required but added: "Nobody should be in any doubt however: it can be done."

Heseltine on Gatt, Page 12

Kohl is urged to head off veto

By Quentin Peel in Bonn

CHANCELLOR Helmut Kohl of Germany was urged yesterday to use his good offices to prevent any French veto of the EC-US farm trade agreement.

The deal, negotiated last week, was hailed as a breakthrough by all main political groups and lobbies in Germany, except the farmers' union. Even farmers merely voiced sympathy for their French counterparts, but said they would not organise violent protests.

The government cautiously welcomed the deal, and hoped France would not try to veto it. Mr Dieter Vogel, government spokesman, said he hoped France would be reassured by the examination of the deal by the European Commission. He implied it might be possible to find some mitigation for France during the investigation.

The most forthright endorsement came from the German Federation of Chambers of Commerce (DIHT), the liberal Free Democrats in the ruling coalition, and the opposition Social Democrats (SPD). The farm spokesman of Mr Kohl's Christian Democrats, normally close to German farmers, expressed cautious support.

The DIHT said the EC's external trade policy could not be allowed to fail because of the French farmers' protests. It urged the German government to use all its influence to ensure France backed the deal.

Mr Florian Gerster, SPD European affairs minister in Rhineland-Palatinate, urged Mr Kohl to show firmness to France and dissuade it from vetoing the deal and provoking a trade war with the US.

Mr Egon Susset, the Christian Democrats' parliamentary spokesman on agriculture, said the deal should "give room for manoeuvre once more to European agricultural policy, and get the farming industry out of the dock". The deal should be critically examined, to ensure it did not go beyond the Common Agricultural Policy reform agreed in the EC last May.

Hussein defends his stance on Gulf war

By James Whittington in Amman

KING HUSSEIN of Jordan yesterday made a blistering attack on the Gulf states, quashing prospects for a reconciliation between Amman and its southern Arab neighbours.

In his second speech to the nation in three weeks, the king said he would never apologise for Jordan's pro-Iraqi sympathies during the Gulf war.

Riyadh, in particular, has sought an overt apology as a condition of resuming pre-Gulf war relations, which were frozen after Jordan's pro-Iraqi tilt during the crisis.

Without naming any Gulf states, he said he would seek to defend Arab unity despite states he described as "motivated by tribal affiliation and a high-handed mentality... who expect others to come in obeisance, proclaiming their fealty in praise and gratitude."

Earlier in the speech the king called for an Arab order "far removed from the stains of oil, consumerism and tyranny" of the Gulf states. He also denounced Kuwait for evicting 300,000 Palestinians after the Gulf war "although they had spent their entire lives in [Kuwaiti] service."

In the speech, broadcast to the country from a graduation ceremony of the Royal Staff and Command College near Amman, the king defended his position in the Gulf war and, in a direct reference to Iraq, called for "a national reconciliation and democracy which would help it to overcome all obstacles". He recently dissociated himself in the strongest terms yet from the regime in Iraq, which he said risked leading the country towards disintegration.

Hussein: quashed prospects for reconciliation with his southern Arab neighbours

The king – who acknowledged this month he was suffering from cancer – yesterday reaffirmed his commitment to the peace process despite a year of limited progress and criticised Arab factions calling for an end to the talks.

In an indirect reference to the Moslem Brotherhood and Palestinian groups in Jordan which recently petitioned the king to abandon the talks, he warned against "hollow rejectionism."

● The UN Security Council yesterday pre-empted a personal appeal by Mr Tariq Aziz, Iraq's deputy prime minister, for a relaxation of sanctions by reiterating that Baghdad had not yet complied with its obligations under the Gulf ceasefire, writes Michael Littlejohns, UN Correspondent, in New York.

Mr Andre Erdos of Hungary, council president, read out a litany of lapses by the Iraqi authorities. His statement, approved by members in prior consultations, concluded that Iraq "has up to now only selectively and then partially complied with the obligations placed upon it by the Council".

However, the UN body voiced hope that the new meeting attended by a high-level Iraqi delegation would impress once again on Baghdad "the imperative need for full compliance".

SA lures back investors

DISINVESTMENT from South Africa has been reversed over the past year, according to the *Investor Responsibility Research Centre* (IRRC), an independent Washington-based research institute, writes Michael Holman.

According to the 1992 edition of the IRRC publication, International Business in South Africa, 508 non-US companies have direct investment or employees in South Africa, up from 454 a year ago. Of these, 153 are British, 142 German and 111 are American.

US companies are also returning to South Africa, but in much smaller numbers, says the report. Since President George Bush lifted the ban on new investment in July 1991, five US companies have established offices, bringing the total of US companies with direct investment or employees up to 111.

US disinvestment from South Africa began on a substantial scale after the violence of the mid-1980s, with the number of US companies in the republic falling from 267 in May 1986 to 168 by October 1987 to a low of 106 in 1991, according to IRRC statistics.

But the report notes that US companies remain reluctant to invest in South Africa "because of more than 60 state, city and county selective contracting laws that penalise companies doing business in South Africa when awarding contracts". Investors are also discouraged by violence and political uncertainty, the report adds.

The trend towards establishing non-equity links with South African companies "has continued to increase dramatically", the report continues.

It says that 303 non-US companies have non-equity links (such as licensing or distribution agreements) with South African companies, a net increase of 132 from a year ago. US companies with non-equity links rose by 23 to 256.

International Business in South Africa 1992, IRRC, 1755 Massachusetts Ave NW, Suite 600, Washington DC 20036. Phone (202) 234-7500. $250.

US warns of 5m more ozone cancer cases

By Bronwen Maddox in Copenhagen

DEPLETION of the ozone layer will cause a sharp increase in cancer over the next century – including 5m more cases and 70,000 deaths in the US alone – a top US government official warned yesterday.

The prediction from Mr William Reilly, administrator of the US Environmental Agency, came in Copenhagen at a United Nations conference on the ozone layer, at the start of three days of talks where 92 countries are trying to bring forward the phase-out of ozone-depleting chemicals to 1996 from the year 2000.

Mr Reilly said the cost of implementing the existing protocol was $35bn (£23bn) for the US. The cost of the accelerated programme was $2bn, but Mr Reilly expected it would save 10,000 lives by 2075 – $200,000 a life.

Industrialists at the meeting warned that businesses worldwide were stockpiling chlorofluorocarbons (CFCs) – some of the chemicals considered most damaging – in anticipation of an early production ban.

The ozone layer absorbs the sun's ultraviolet radiation, which can cause skin cancer and cataracts in humans and lower crop yields. Dr Bob Watson, a leading atmospheric scientist, said: "There is now evidence that ozone is being depleted over heavily populated areas of the northern hemisphere by about 3 per cent in summer and 5 per cent in winter." He added that even with existing controls depletion levels could double by the year 2000.

The World Meteorological Organisation, which recently warned that ozone levels over northern Europe were lower than usual this year because of cold weather, said yesterday levels over Scotland were 20 per cent below average in mid-January this year.

Delegates were wrestling over the importance of adding two new chemicals as they sought to renegotiate the Montreal protocol of 1987. The protocol regulates ozone-damaging substances – HCFCs, a less damaging replacement for CFCs, and methyl bromide, a fumigant used for preserving fruit and grain.

Mr David Maclean, UK environment minister, said: "If you want to get rid of CFCs – and they are the bad guys – you must turn to HCFCs." According to one leading international chemical manufacturer, industry put off adopting HCFCs for fear they would eventually be banned too.

He believed US carmakers were stockpiling the chemical to enable them to carry out six-year service warranties on cars at low cost.

Mr Reilly said that while he did not have details of US manufacturers' plans, "it would make sense for them to put together a CFC bank for servicing existing stock", a comment that was denounced by environmental groups as "extremely unhelpful."

Dirty oil in Japan's political machine

Charles Leadbeater on scandal hearings that could end a faction's dominance

THE central pillar of Japanese politics looks set to crumble.

That pillar is the Takeshita faction, the largest grouping within the ruling Liberal Democratic party. It has dominated Japanese politics since the mid-1970s when it was led in an earlier incarnation by then prime minister Mr Kakuei Tanaka.

It has made and broken Japanese prime ministers. Its power is recognised in the White House where its leaders visit for talks separately from the Japanese cabinet.

On Thursday Mr Noboru Takeshita, the faction's titular head, will give sworn testimony to parliament over his role in the Tokyo Sagawa Kyubin scandal. This will give an official airing to allegations that in 1987 his supporters enlisted the help of the then leader of Japan's largest organised crime syndicate to quell a right-wing campaign against Mr Takeshita's bid to become prime minister.

The exposure could signal the demise of Mr Takeshita's political authority, at a time when the faction's leadership is extremely unstable.

Mr Takeshita brought together the alliance which supports Mr Keizo Obuchi, the faction boss recently elected to replace Mr Shin Kanemaru, who was forced to resign after admitting he had received an illegal donation of Y500m (£2.7m) from Tokyo Sagawa Kyubin, a trucking company. That alliance could fall apart without Mr Takeshita's authority to hold it together.

Meanwhile Mr Ichiro Ozawa, the faction's crown prince, and Mr Tsutomu Hata, the finance minister, are preparing to split from the faction, taking about 36 members of the parliament's lower house with them.

Scandals and factional power struggles are the lifeblood of Japanese politics. There have been 18 political scandals since 1945. Many have involved larger sums than the Tokyo Sagawa Kyubin case and some have led to the resignations of serving prime ministers without leaving any lasting mark on the political system.

How far the consequences in this scandal extend will depend on two central characters – Mr Ozawa and Mr Kiichi Miyazawa, the prime minister.

Mr Ozawa is an ambivalent politician. He has risen to the top as an insider, a dealmaker and money-raiser, first the protegé of Mr Tanaka and then Mr Kanemaru. He masterminded the LDP's 1990 election victory when many thought the party risked losing its lower-house majority. It is now thought this victory was funded with Sagawa Kyubin's donations.

Only two months ago he apologised to the Takeshita faction for failing to protect Mr Kanemaru from a probe into his illegal dealings. He then fought an unsuccessful campaign to claim the faction leadership as the chosen successor of the disgraced kingmaker.

However, since his bid for power was thwarted, Mr Ozawa has sought to transform himself into the standard bearer of a younger generation

One analyst sees Ozawa's moves as possibly the first step towards reorganising Japanese politics

of political leaders. He claims to be fired with a quasi-nationalist mission, to modernise the country's inward-looking political institutions so that Japan can rightfully claim and responsibly wield its growing international power.

In an interview in Bungei Shinju, a political magazine, he explained: "In the cold war era Japan did not need a political view, the only political concern was how to divide up the budget. Japan enjoyed its economic prosperity thanks to support from the US. Now the cold war is over Japan must change its political structure to have a responsibility to the world."

The ambiguity in Mr Ozawa's position makes it difficult to predict how he might wield the power of the new faction.

Some radical possibilities are being suggested by Tokyo's political rumour mill. One idea is that the government's unpopularity over the Sagawa scandal may force a vote of no-confidence in the Miyazawa government. If Mr Ozawa's 36 members abstained, Mr Miyazawa could lose, which would bring down the government.

This might force the LDP to call an election while its popularity is low because of the potent combination of scandal and gathering recession. There is a precedent: in 1980 the Ohira government was brought down when 69 dissident LDP members abstained in a no-confidence vote.

An even more radical possibility is that the Ozawa forces may ally with younger members of the Socialist and trade union parties to create a cross-party grouping to campaign for an overhaul of Japan's electoral and political funding system. In private, supporters of Mr Ozawa and Mr Hata claim they have already calculated how many non-LDP politicians would join a new grouping.

Mr Shigezou Hayasaka, a leading political analyst, said: "Ozawa is one of the few politicians who could change Japanese politics. This could be the first step towards re-organising Japanese politics, including the opposition parties."

The Takeshita faction's weakness may provide Mr Miyazawa with an opportunity to assert his independence by working in alliance with Mr Ozawa and the LDP's other main factions, the Mitsuzuka and Watanabe factions.

Creating such an alliance would be fraught with difficulty. It could be sealed only by offering the Ozawa faction a share of the seats in the cabinet which could enrage the Takeshita faction.

In the past week Mr Miyazawa has sought to regain the political initiative, taking charge of the LDP's often confused response to the Sagawa Kyubin case, and pledging that the 1993 budget will be expansionary to allay business criticism that economic policy is being overlooked by the concentration on the scandal.

Yet Mr Miyazawa, a former bureaucrat, may lack the strength to stamp his authority on the party, particularly at a time when it will be beset by crises. The economy is mired in a deep downturn, the Sagawa Kyubin scandal is not running out of steam and calls for political reform are becoming more insistent. At the same time, the world anxiously expects Tokyo to seal the Uruguay Round of trade talks under the General Agreement on Tariffs and Trade by facing down its powerful agricultural lobby and pledging to open up its protected rice market.

Mr Ozawa can afford to wait and watch, keeping his options open. Mr Miyazawa's government will be making policy on the run for the foreseeable future.

India's trade deficit doubles

By Shiraz Sidhva in New Delhi

INDIA'S trade deficit more than doubled during the first six months of the current financial year to $26.22bn (£17.3bn) compared with $10.21bn for the same period of last year.

This indicates that India's performance on the balance of payments, worries over which led to an economic reform package earlier this year, is not proceeding on course, say economists.

The trade deficit for the six months to September has worsened despite a 5.37 per cent increase in exports in dollar terms, to $85.48bn against $81.13bn. However, uncertainty over rupee-rouble trade after the collapse of the Soviet Union continues to exert a negative influence, according to a government economist.

The increase in the trade deficit has been fuelled by a higher-than-expected 22.3 per cent growth in imports to $111.70bn from $91.34bn. "This growth in imports appears unduly large because of massive import compression by the government last year," said a Commerce Ministry official. "But there is still cause for concern as the Indian industrial sector continues in a recessionary phase."

Insider dealers face fines or jail

THE INDIAN government has banned insider trading in stocks and shares, as part of capital market reforms, R. C. Murthy reports from Bombay.

The Securities and Exchange Board of India (Sebi), the market watchdog, which will administer the insider trading laws, can impose a penalty of Rs500,000 (£11,500) or two years' imprisonment or both for violations.

The administration of Mr P. V. Narasimha Rao, the prime minister, is rushing through the reforms as foreign investors, who from earlier this year have been able to make direct purchases on India's stock exchanges, are holding back in the absence of a proper regulatory mechanism.

The laws have been made effective from last Thursday when allegations were made of insider trading in the shares of Tata Engineering and Locomotive, a market leader, which last week announced that net profits plunged by three quarters in the first half to September. Its share price had fallen from Rs301 in early November to Rs222.50 last week.

Sebi relented yesterday on registration fees for brokers. Mr G. V. Ramakrishna, Sebi chairman, has agreed to make appropriate changes in the definition of "annual turnover" to bring down the fee.

Sri Lankans must register

The Sri Lankan government has passed an emergency law requiring citizens to register with police after recent attacks by Tamil separatists and intelligence warnings of more to come, AP reports from Colombo.

The residency law also requires Sri Lankans to seek police permission before allowing guests to stay in their homes, the president's office said. Householders must register everyone living at each home and must tell police if anyone moves out.

Rebels from the Liberation Tigers of Tamil Eelam have fought for an independent homeland in the north and east since 1983. More than 17,000 people have been killed.

On November 16, a Tamil suicide bomber assassinated Sri Lanka's navy commander, Clancy Fernando, in Colombo.

Tamils make up 18 per cent of Sri Lanka's 17m people.

Temple threatens to pierce Rao's procrastination policy

Stefan Wagstyl on the testing time ahead of India's prime minister

MR PV Narasimha Rao's legendary ability to procrastinate endears him to many Indians. They seem to prefer this unassuming 71-year-old to some of his younger and more aggressive rivals.

He has served them well, patiently steering the country through a balance-of-payments crisis last year and charting a course to India's biggest economic reforms since independence.

However, with a new session of parliament opening today, Mr Rao's ability to sit out the harshest storms faces some tough tests.

Top of the political agenda is a potentially explosive dispute over the planned construction of a temple to the Hindu god Ram next to a mosque in Ayodhya, a town in northern India. The government has tried to stall efforts by Hindu militants to build the temple amid fears of further bloodshed at the site where 2,000 people have died in the past three years.

The right-wing Hindu Bharatiya Janata party (BJP), the main opposition party, supports claims by the Hindu fundamentalist Vishva Hindu Parishad (VHP) that wants to build the temple. They accuse Mr Rao's Congress party of currying favour with Moslems.

Mr Rao has won support among educated Indians for avoiding direct confrontation with the BJP and VHP by referring disputes over the ownership of the site to the courts. In the summer, the VHP and its allies in the Hindu priesthood accepted a temporary delay in construction. But time is running out for Mr Rao – the fundamentalists' deadline expires on December 6.

The prime minister's problems are compounded as the local government in Uttar Pradesh state, including Ayodhya, is ruled by the BJP. Firm action by the central government could involve suspending state government powers – a move fraught with political risk, not least because Uttar Pradesh is India's largest state. Refraining from action could be worse given the fundamentalists' determination. "We are prepared to die," says the BJP MP for Ayodhya, "We will make any sacrifice for Ram."

Second only to religion in India are the passions aroused by caste.

As early as 1952, about 27 per cent of public sector entry-level jobs were set aside for the lowest castes, chiefly untouchables. This month, after years of arguments, the Supreme Court ruled that so-called "other backward classes" – those slightly above the untouchables – should benefit from positive discrimination by having reserved access to 22.5 per cent of entry-level posts.

The verdict prompted violent protests on student campuses across northern India – being barred from 49.5 per cent of public sector appointments naturally alarmed the educated middle classes.

The issue does not present Mr Rao with any immediate decisions. It will be up to bureaucrats to put the policy into practice. But it increases tensions in the same geographical areas as the Ayodhya temple dispute since Uttar Pradesh and neighbouring states have above-average numbers of low-caste people who will have the right to jobs previously monopolised by their middle-class neighbours.

Nor will debate over religion and caste spare Mr Rao from having to do battle over the economy. The opposition parties will seek to hurt him on two fronts. First, they are seizing on complaints by people who believe they have been harmed by reform – chiefly farmers protesting against cuts in fertiliser price subsidies. The BJP yesterday filed a motion to adjourn parliament for a day in support of farmers.

Mr Rao tried to defuse the farmers' anger by increasing other cash handouts.

The second economic issue Mr Rao is vulnerable on is the Rs35bn (£800m) Bombay securities market scandal. The affair,

Rao: formidable advantages

which caused heavy losses for banks and stockbrokers, hurt the government by revealing weaknesses in financial supervision.

It exposed Mr Rao's economic reform to attack from those who argue deregulation increased the opportunities for financial wrong-doing. Mr Ram Niwas Mirdha, chairman of a parliamentary committee investigating the scandal, said India should create a "proper regulatory framework" before allowing more liberalisation.

Mr Rao has formidable advantages to confront these problems. First, he and his party are secure in power. According to an opinion poll published this weekend, 49 per cent of voters support Mr Rao for prime minister, against 14 per cent for Mr L K Advani, the BJP leader.

Congress has local difficulties, notably in Karnataka state in the south, where Mr Rao sacked the state's chief minister following allegations of widespread corruption. Overall, it has no real rivals – the BJP is strong in those parts of the north where it has fanned the flames of fundamentalism.

Moreover, the BJP is a one-issue party. On economic reform, it snipes at the government over individual measures which can be turned to party-political advantage.

Nevertheless, there are two distinct risks. One is that the temple dispute may explode into violence. A military crackdown in Uttar Pradesh would undermine government efforts to promote India-wide political stability. That would discourage investment, particularly by foreigners.

The second danger, is that fighting bush-fires will distract Mr Rao from further economic reform. He admits the financial scandal has delayed banking and other reforms.

One senior political adviser to the Congress party says Mr Rao needs to show more active leadership. There is widespread public support for a "reasonable" solution in Ayodhya and the further pursuit of "sensible" economic changes, says the adviser. "But someone needs to stand up and shout to drown out the BJP."

The Indian Supreme Court yesterday issued a crucial judgment in the dispute over the planned construction of a Hindu temple on the site of a mosque at Ayodhya, northern India. It ordered Uttar Pradesh state, which includes Ayodhya, to stop a Hindu militants' gathering planned on December 6 to build the temple. The state government, controlled by the opposition Bharatiya Janata Party, which supports building the temple, asked for time to consider the ruling.

Supporters of Pakistan opposition leader Benazir Bhutto protest outside Peshawar jail yesterday

Growth in rural poor put at 40%

THE NUMBER of rural poor in developing countries has risen 40 per cent over the past 20 years, an indication of failure among international aid programmes, according to a study released yesterday by the Rome-based International Fund for Agricultural Development (Ifad), Reuter reports from the United Nations.

The report, covering 114 nations with large rural populations, said the trickle-down theory of economics and attitudes towards the poor prevented them from being integrated into a country's economic structure. Ifad, a UN agency, said most programmes were too heavy on capital investment. "Development is not something that happens in spite of the poor. It is something that happens because of them.

"Societies will not need massive infusions of foreign aid as farmers will generate their own savings and invest them in local production."

The rural poor were poor because they had been denied resources available to others – land, credit, technology and social services.

OECD annual survey indicates underlying rate of inflation likely to fall below 3 per cent

US growth of 2.5% predicted for 1993

By Michael Prowse in Washington

THE sluggish US recovery should pick up speed next year but low levels of savings, investment and productivity growth raise doubts about the longer-term outlook for living standards, the Organisation for Economic Co-operation and Development says in its latest annual survey of the US economy.

It says that US economic growth is likely to rise from 1.8 per cent this year to just under 2.5 per cent next year, reflecting the delayed impact of past cuts in interest rates

Recovery will be slower than in past cycles, with unemployment likely to remain close to 7.5%

and an easing of private-sector restraints on growth, such as high corporate and individual debt burdens.

"Inventories are very lean, and so further expenditure increases should be translated quickly into production. With productivity already back to its pre-recession trend, increased production is likely to require additional hiring, which should reassure households and contribute to their willingness to spend."

The recovery, however, will be slower than in past business cycles, with the unemployment rate likely to remain close to 7.5 per cent until the end of next year.

Given substantial slack in labour and product markets, the underlying rate of inflation is likely to fall below 3 per cent next year.

The current account deficit will rise, but should not far exceed 1 per cent of gross domestic product, partly because exports will continue to be supported by the competitiveness of the dollar against the D-Mark and yen.

The OECD is gloomier about the US's medium-term prospects, pointing to a "serious erosion of the factors underpinning current and future prosperity". Living standards as measured by real per capita consumer spending rose at a 1.75 per cent annual rate during the 1980s, against 2.25 per cent during the 1970s.

But even this reduced growth may not be sustainable because it reflected an increase in labour force participation rates, as women entered the paid workforce, and reduced provision for the future, as both individuals and government borrowed heavily. At some point, savings and taxes will have to rise, temporarily reducing living standards.

Labour productivity, as measured by output per hour, grew at an annual rate of only 0.8 per cent in the 1980s, a "deceleration from the already anaemic 1.7 per cent pace of the 1970s". Real wages either stayed level or fell, depending on the measures used.

Reasons for the decline in productivity growth are not fully understood but the OECD believes a decline in savings and investment played a big role. During the second half of the 1980s, the ratio of net national savings to GDP fell to 2.5 per cent of GDP, the lowest of any OECD country. This compares with a 7 per cent rate in the 1970s and an average of 10 per cent in other industrialised countries. The ratio of net investment to GDP was also the lowest in the OECD area in this period.

The OECD says the main policy priority is to raise national savings by reducing the federal budget deficit, which was equivalent to 5.5 per cent of GDP in fiscal 1992.

The main source of persistent deficits is growth of federal "entitlement" programmes, mainly pensions and health care for the elderly, that has far outstripped growth of tax revenues.

If the US adopts policies "commonplace in other OECD countries", it can readily eliminate the deficit by the mid-1990s, the report says. The OECD recommends spending cuts and tax increases.

Effective controls on health-care costs, including a freeze on federal spending relative to GDP, could save $90bn (£60bn), or more than 1 per cent of GDP, by 1996. Allowing less tax relief on federal pension payments could raise a further $26bn, or 0.4 per of GDP. But the OECD says general tax

'Solutions to the budget are readily found, what is required is the will to implement them'

increases would be preferable to a squeeze on non-entitlement programmes, such as food stamps, which were cut in real terms in the 1980s.

The OECD says a broad-based 5 per cent value added tax could raise about $140bn, equivalent to nearly 2 per cent of GDP. That alone would be sufficient to cut the structural budget deficit by two-thirds. A 25c-a-gallon tax on petrol would raise a further $23bn.

Other possible revenue measures include a tax on employer-paid health insurance, which would raise $40bn, and a tax on the rental value of owner-occupied housing.

The OECD points out that the total US tax burden, at 32 per cent of GDP, is the lowest of any OECD country except Turkey. "Solutions to the US budget situation are readily found," it concludes, "what is required is the will to implement them."

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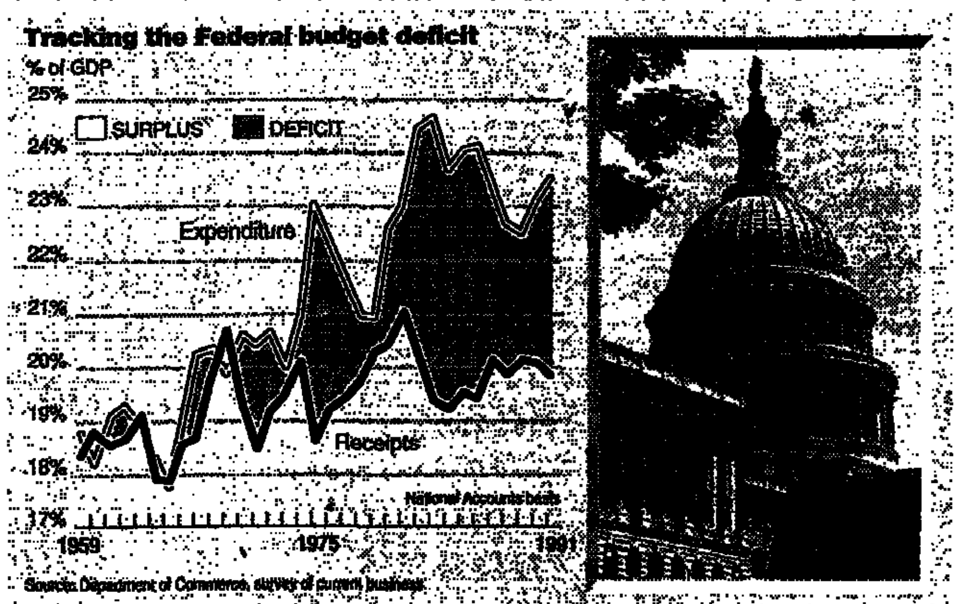
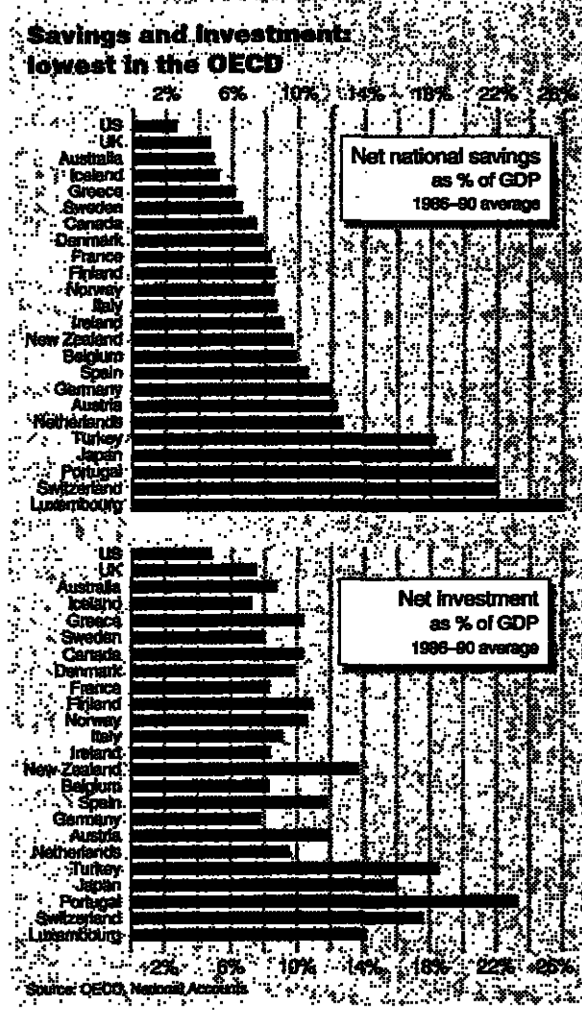
The Economy





The outlook
% change from previous year
seasonally adjusted

	1991	1992	1993
Private consumption	-0.6	2.0	2.1
Govt. consumption	1.2	-0.6	-0.9
Gross fixed investment	-8.5	5.1	7.2
Total domestic demand	-1.8	2.1	2.4
Exports of goods & services	5.8	5.9	6.3
Imports of goods & services	-0.1	8.2	6.8
Foreign balance	0.6	-0.3	-0.0
GDP at constant prices	-1.2	1.8	2.4
GDP price deflator	4.0	2.7	2.5
Unemployment rate	6.7	7.5	7.5
Household saving rate	4.9	4.9	4.9
Net lending of general govt. $bn	-193.0	-290.0	-269.0
% of GDP	-3.4	-4.9	-4.3
Current account balance $bn	-4.0	-56.0	-70.0
% of GDP	-0.1	-0.9	-1.1

Radical reform of health care system recommended

By Michael Prowse

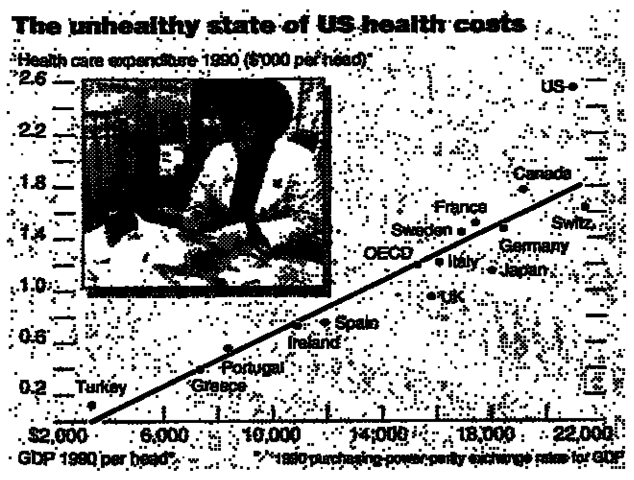
The OECD report recommends radical reforms of the US health care system, including tough budgetary curbs on physicians and hospitals and steps to expand access to care. The report criticises many aspects of the present system. It says linking employment and health insurance provision is "archaic and makes no more sense than linking automobile insurance to people's employment".

The US has the worst record among OECD countries in controlling health care costs and securing access to care. In real terms, costs have risen at an annual rate of 5.5 per cent for two decades, twice as fast as GDP growth. In per capita terms, the US spends twice as much as the OECD average. Yet 35m people, one in seven, still lack insurance cover.

The root cause of cost inflation lies in the "nature of the system". Once insured, the marginal cost of treatment is low; yet "physicians have incentives, both moral and financial, to offer as much and as good a treatment as they can". To stop costs exploding, all OECD countries except the US have placed budgetary curbs on providers, limiting doctors' ability to provide costly new treatments.

The OECD says the US has no choice but to impose broad controls on price and volume of health care services. Such controls are already imposed in US publicly-financed schemes such as Medicare, the programme for the elderly, but are likely to be resisted in the US private sector.

Gaps in health care cover persist because the private insurance system for those under 65 is voluntary and closely tied to employment.



Private insurers "have a powerful incentive to charge bad risks their [high] actuarial cost, or refuse coverage". Such "cream-skimming" results in prohibitive insurance costs for small companies and individuals because there are few policy holders over whom to accommodate bad risks. (Bad risks are people most likely to become ill or those with pre-existing conditions.)

The OECD outlines two options for reform. The federal government could regulate private insurers more heavily – to prevent them excluding bad risks – and cut insurance premium costs by offering means-tested subsidies. Or they could move to the tax-financed social insurance system favoured in other OECD countries, "guaranteeing universal access, carrying lower administrative costs and avoiding cream-skimming". The "play or pay" plan put forward by Democrats in Congress and backed by Mr Bill Clinton, might serve as transition to a mainly tax-financed system. Under this, employers would have to provide insurance for employees or pay a payroll tax to finance an expanded public-sector scheme.

OECD officials say the most promising reform comes from Mr John Garamendi, California's insurance commissioner. Under this, care would be financed by payroll taxes. The link between employment and insurance would end, since individuals would sign up with competing "health insurance purchasing corporations". These would use payroll taxes to buy care from competing private-sector providers. The US problem is that such a plan, while cutting growth of health care costs, would raise tax burdens.

Candidates play dirty in Georgia fight for Senate

By Barbara Harrison in Atlanta

VOTERS in the state of Georgia today cast ballots in a bitterly fought run-off election for a US Senate seat.

The result is expected to be close. The incumbent Democratic Senator Wyche Fowler, a liberal with backing from a coalition of blacks, women and labour, is being challenged by Mr Paul Coverdell, a conservative Republican, who has the support of the religious right.

The outcome of the race is important enough to have drawn President-elect Bill Clinton and Vice President-elect Al Gore to campaign for Mr Fowler. Mr Clinton appeared yesterday in Macon and Albany, and Mr Gore has been in Georgia twice in the past week.

Mr Gore, underscoring what is at stake in the contest, said: "In Congress, the margin of one vote can make a tremendous difference." A victory for Mr Fowler would give the Democrats 57 Senate seats, the same number as before the election.

Another by-election next week in North Dakota, where the Democrats are strongly favoured, would add another seat, but their total would still be short of the 60 needed to cut off Republican filibusters.

The run-off is being held because Georgia law requires a candidate to receive a majority of the vote; in the November 3 election, Mr Fowler won just 49 per cent of the ballots, while Mr Coverdell won 48 per cent.

The result of today's voting is expected to hinge on turnout. Because run-offs do not galvanise voter attention, turnout is estimated to be just 25-33 per cent of the registered voters. This compares with 73 per cent on November 3.

Consequently, both candidates have campaigned frantically during the past three weeks. Mr Fowler has appealed particularly to black churches for help in mobilising voters and Mr Coverdell has done the same at fundamentalist Christian churches.

Ironically, little Christian spirit has been shown in what has been called one of the dirtiest and nastiest campaigns in local memory.

The mud-slinging match, conducted largely through television advertisements, has dismayed many voters and is likely to spur few other than the party stalwarts and the ideologically-motivated to vote today.

Fujimori set to win majority

By Sally Bowen in Lima

UNOFFICIAL results from Sunday's Peruvian elections indicate President Alberto Fujimori will win the overall majority he sought in the new constituent congress. But his victory has been somewhat marred by a record number of spoiled and blank votes.

Almost one in four Peruvians turned in a void vote. Although as yet no official turnout figures have been announced, reports from outlying regions indicate the abstention rate has been unusually high in a country where voting is obligatory.

Analysts blame a general disillusionment with politics. But the election boycott by ex-president Alan García's Apra and twice-president Fernando Belaunde's Popular Action, Peru's two weightiest parties, clearly left a significant minority of voters with nowhere to go.

Ms The Popular Christian Party (PPC), the only "traditional" party to field candidates, won more votes on Sunday than any other opposition group and its leader, Ms Lourdes Flores Nano, is likely to emerge as Mr Fujimori's chief opponent.

The pro-government alliance of Cambio (Change) 90 and New Majority is expected to end up with 46 seats in the 80-member congress, to be installed on December 30.

Canadian loan rates rise likely

By Bernard Simon in Toronto

CANADA'S financial markets are braced for another steep rise in interest rates today as the central bank seeks to brake the sliding Canadian dollar.

The Bank of Canada is expected to raise its weekly discount rate to almost 9 per cent, compared to its present 7.95 per cent and a low of 4.93 per cent in early September.

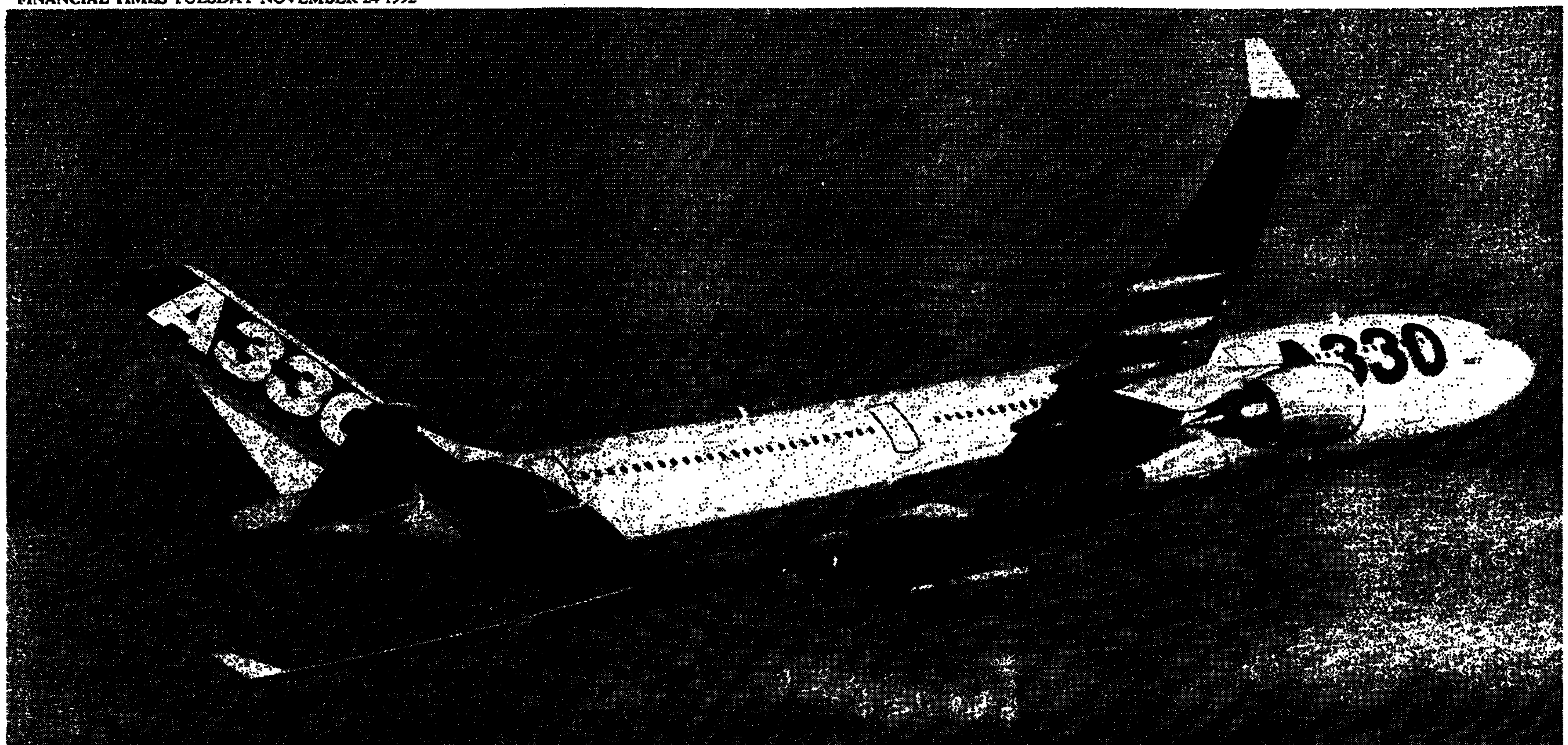
The jump in rates, which included two increases in banks' prime lending rate last week, has so far failed to reverse the slide. The dollar fell below 77.80 US cents yesterday morning, against almost 84 cents at the end of August.

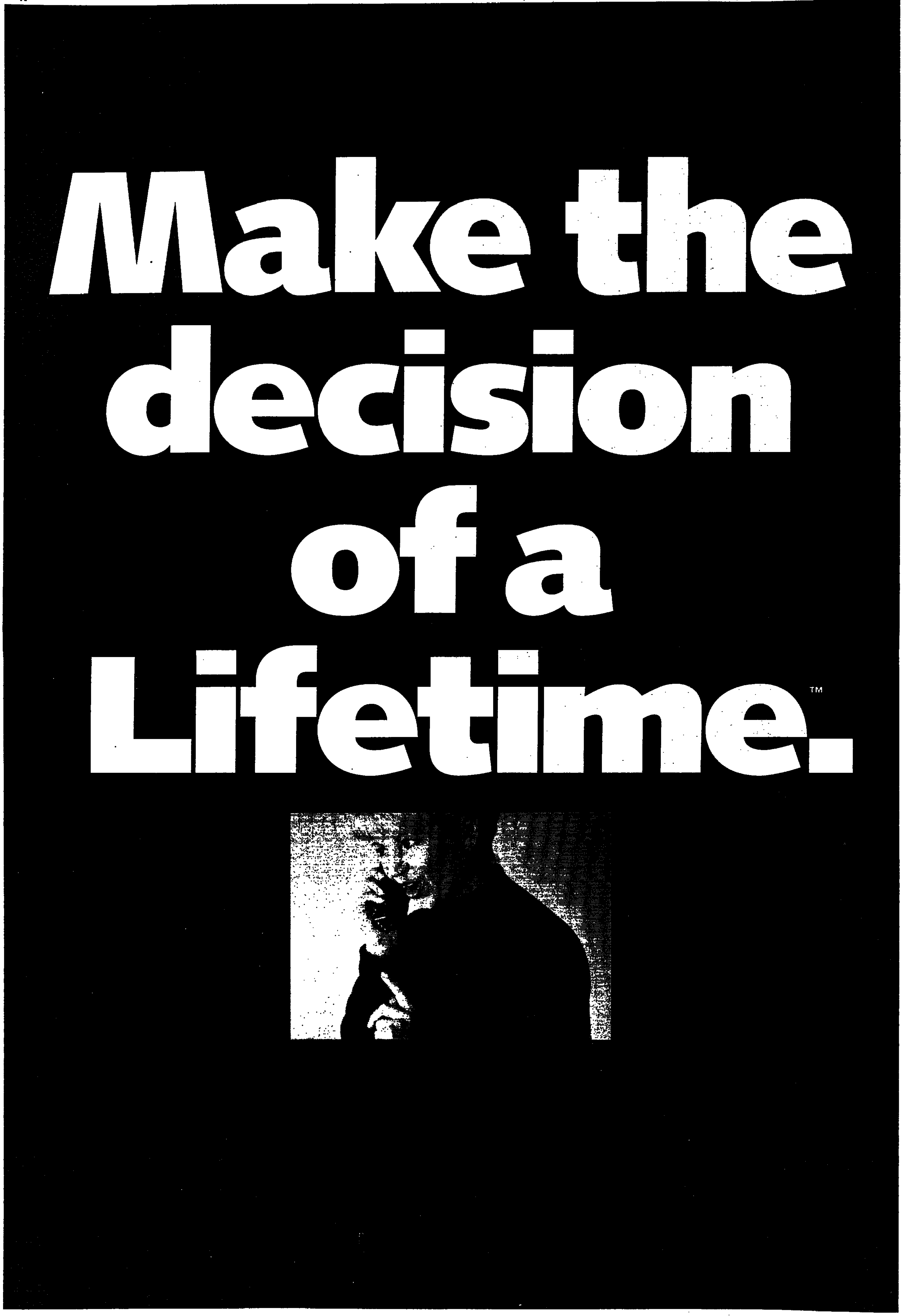
Mr Barry Davenport, senior vice-president for foreign exchange at Bank of Montreal, yesterday predicted it would fall further.

Argentine defence clash

ARGENTINA'S armed forces' joint chief of staff, Brigadier General Andres Antonietti, has resigned his post and requested his retirement from the air force, writes Our Correspondent in Buenos Aires.

A Defence Ministry source said the brigadier had clashed over military and personal issues with Mr Antonio Erman Gonzalez, the defence minister.

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Heseltine says agreement could lead to $200bn boost in the value of world trade

Britain expects French deal on Gatt

By Ivor Owen, Parliamentary Correspondent

THE British government *yesterday claimed* France was likely to adopt a compromise agreement on world trade in spite of objecting to the deal *reached by the European* Community and the US on subsidised food exports.

Mr Michael Heseltine, trade and industry secretary, told the House of Commons that the government was optimistic that there would be a fresh agreement under Gatt, the General Agreement on Tariffs and Trade. "I believe it is possible to complete the negoti*ations this year," he said.*

Mr Heseltine maintained that France stood to gain from a successful Gatt accord as much as other EC member states and said the new trading opportunities could boost the value of world trade by up to $200bn a year. He told MPs that the government doubted whether France would be able to use its veto under the EC's so-called Luxembourg compromise.

Mr Heseltine conceded, however, that it was for the European Commission, headed by Mr Jacques Delors, to conduct any discussions among EC states on whether Community negotiators had kept to their negotiating remit during recent talks in Washington when they agreed to new limits on agricultural production.

He stressed the Commission believed they had discharged their remit, and insisted: "It is not for individual countries within the Community to frustrate that position".

Mr Paul Channon, the Tory MP and a former trade secretary, asked Mr Heseltine whether a final agreement achieved through Gatt would be subject to majority voting by the EC council of ministers.

Mr Heseltine told him that the European Commission was now empowered to take up negotiations with the Gatt authorities in Geneva.

If and when a satisfactory outcome was achieved it would be for the council of ministers to decide "whether or not that agreement, taken in the [Uruguay] round, is acceptable. It is much to be questioned whether the Luxembourg compromise would be relevant in such circumstances".

Mr Robin Cook, the opposition Labour party's trade and industry spokesman, also emphasised that France would be a net beneficiary of any new Gatt agreement. French industry stood to gain more than the amount farmers stood to lose, he said, and the French government should be urged not to base its judgment on the single issue of farm subsidies.

Seeking to reassure MPs concerned at the affect of the agreement on the UK textile industry, Mr Heseltine said the government expected some form of "carry over agreement" for the international Multi-Fibre Arrangement (MFA), which is due to expire at the end of the year.

A draft Gatt agreement envisaged a 10 year transitional period before the MFA was phased out, the trade secretary added.

Deficit rises sharply to £1.1bn after devaluation

By Peter Marsh, Economics Staff

BRITAIN'S current account deficit last month rose to its highest figure since April after the effects of sterling's devaluation led to a sharp rise in the import bill.

The rise in the deficit to £1.1bn came as imports increased by 5 per cent between September and October to £10.2bn, the highest monthly figure since mid-1990.

The widening deficit came in spite of a sharp rise in exports in October compared with September, which indicates UK exporters are holding their own in difficult trading conditions due to the international economic slowdown.

Much of the large rise in the value of imports was due to the *13 per cent devaluation in the* pound since it left the European exchange rate mechanism in mid-September. This had the effect of pushing up unit prices of imports by 3.4 per cent between September and October.

The increased imports suggest that underlying economic demand may be picking up as part of an expected recovery.

However, any large increases in the *prices of imports in the* coming months could increase inflationary pressures, making it more difficult for the government to keep to its target of maintaining underlying inflation at beneath 4 per cent.

The increase in exports to a value of £9.1bn in October from £8.7bn in the previous month helped sentiment on the stock market, where a burst of buying support saw the FT-SE 100 index of leading shares reach a new trading high of 2,745.2. *This beat the previous record* established in May shortly after the general election. Profit-taking and uncertainties on world currency markets saw the index lose ground in late afternoon, to finish an overall 9.5 points down on the day at 2,722.9.

Britain's current account deficit decreased gradually during the early stages of the two-year recession as demand *for imports* fell, but has increased during recent months.

The deficit fell to £6.3bn in 1991 from £17bn the previous year. In the first 10 months of this year, the deficit has so far reached £9.7bn.

Yesterday's trade figures were the first to indicate the degree to which import prices have risen since sterling's devaluation. The trend in recent months of rising import bills is expected to strengthen *in coming months. It will prob*ably take some time for exporters to gain the full benefits of improved competitiveness arising from the devalued pound.

Although the Treasury welcomed the rise in exports, the City remains concerned that the current account deficit is widening despite the economy remaining in recession.

Last month, import volumes as measured on that basis saw a 2.9 per cent increase compared with the previous month, while export volumes rose by 2.6 per cent. Export and import volumes last month set new records.

On a value basis, the deficit on visible goods – all merchandise items including oil – *rose to £3.3bn in the three* months to October 31. In the the May-July period, the deficit was about £400m lower, at £2.9bn.

CURRENT ACCOUNT (£bn)

	Current Balance	Visible Trade Balance: Total	Less oil and erratics	Exports	Imports	Invisibles Balance
1990	-17.0	-18.8	-21.2	101.7	120.5	+1.8
1991	-6.3	-10.3	-13.6	103.4	113.7	+4.0
Qtr 3	-1.3	-2.4	-3.5	26.4	28.8	+1.1
Qtr 4	-1.7	-2.6	-3.5	26.2	28.9	+0.9
1992						
Qtr 1	-2.9	-3.0	-3.5	26.1	29.2	+0.2
Qtr 2	-2.9	-3.2	-3.9	26.7	29.9	+0.4
Qtr 3	-2.9	-3.2	-4.2	26.4	29.6	+0.3
Jan	-1.1	-1.2	-1.3	8.3	9.4	+0.1
Feb	-0.9	-1.0	-1.1	9.0	10.0	+0.1
Mar	-0.8	-0.9	-1.1	8.9	9.8	+0.1
Apr	-1.3	-1.4	-1.5	8.8	10.2	+0.1
May	-0.7	-0.9	-1.2	9.1	10.0	+0.1
June	-0.8	-0.9	-1.2	8.6	9.7	+0.1
July	-1.0	-1.1	-1.4	8.8	9.9	+0.1
August	-1.0	-1.1	-1.8	8.9	10.0	+0.1
Sept	-0.9	-1.0	-1.2	8.7	9.7	+0.1
Oct	-1.1	-1.2	-1.4	9.1	10.2	+0.1

Invisibles for July to October 1992 are projections. Figures are seasonally adjusted, and due to rounding may not add up. Source: CSO

Labour claims UK gave Iraq credit

By David Owen and Ralph Atkins

THE opposition Labour party yesterday stepped up its campaign to discredit the government over exports to Iraq by claiming the Baghdad regime *was offered state credit facili*ties to pay for UK orders.

Mr Robin Cook, Labour's trade and industry spokesman, told the House of Commons the government had not merely armed Saddam's forces 1983 and 1989 but also offered Iraq medium term credit facilities from Britain for $54.3m worth of military goods.

Opening a parliamentary debate on Britain's dealings *with Iraq, Mr Cook claimed Mr* Major approved a new credit facility to the Iraqis in 1987 when he was chief secretary to the Treasury.

Criticising what he called the prime minister's "nobody told me" defence, Mr Cook said: "I am sure no one showed *him the letter of November* 1987 from the Export Credit Guarantee Department, which said a notional 20 per cent had been set aside for military business."

Assuming a notional 20 per cent for military business, he warned, "the British taxpayer stands to foot some £170 million to pay for the equipment we provided to Saddam's war machine".

In the government's most comprehensive defence so far of its role in the arms-to-Iraq affair, Mr Michael Heseltine, the trade and industry secretary, emphasised the compara*tively minor nature of Britain's* role in supplying defence equipment to Saddam Hussein.

Other countries had "queued up" to send supplies, he said. Out of $11.3bn of contracts concluded by Iraq for the import of defence equipment between January 1987 and August 1990, British companies won less than 3 per cent of the total.

The speech came as Mr John Major said he had no know*ledge of changes to guidelines* on exports to Iraq since 1988.

Writing to Mr Paddy Ashdown, Liberal Democrat leader, the prime minister said: "I was not a party to those decisions."

Mr Heseltine, meanwhile, accused Labour of "nauseating hypocrisy" in injecting a politi*cal dimension into claims* which will be the subject of a judicial inquiry.

He could not recall mass pickets protesting at sales to Argentina when Labour was in power, he said. Labour did not appreciate the risk of a Falklands war, just as nobody knew that Iraq was going to invade Kuwait.

Union calls off London Tube strike

By Catherine Milton, Labour Staff

RAIL UNION leaders agreed to call off strike action on London's Tube network yesterday, 12 hours before it was due to *start.*

Both sides claimed victory, but London Underground will now press ahead with introducing flexible working practices and restructured pay scales following an apparent climb down by the RMT rail union.

The union, which represents *11,000 of the network's 21,000* workforce, had opposed the company's planned overhaul of pay and conditions.

The action was called off after a meeting of the RMT's ruling executive committee, which accepted a formula agreed between management and union leaders during 25 hours of talks with the Acas conciliation service.

The union said it had *secured important commit*ments from the company, although it accepted management had not made concessions on the main changes to pay and conditions. London Underground said its position had not shifted.

Under the plan, all 21,000 employees will switch to salaried status, with 30 per cent losing financially after three years and 70 per cent gaining *immediately. About 5,000 jobs* will be shed in the next two to three years.

The link between promotion and seniority will end and some workers will have to reapply for their jobs under new training schemes. Many allowances, such as compensation for travelling time, have been consolidated.

In 1989, strike action by rail unions and some unofficial groups forced London Underground to abandon a less ambitious plan to restructure pay and introduce flexible working.

Paying tribute to Acas, Mr Jimmy Knapp, general secretary of the RMT, said: "London Underground claimed there was no place for Acas in the *negotiations, yet 24 hours later* they were involved."

Threat lifted: an indefinite strike was due to begin today

He said the issue that provoked the dispute was the company's refusal to continue talks. The union had been assured of further negotiations in working parties.

He said London Underground had guaranteed there would be no compulsory redundancies, although the company's plan to shed 5,000 workers over the next two to three years stood. He said the company had also accepted that the union had the right to take issues to arbitration at Acas.

London Underground said the working parties formed part of long-standing plans to aid the change of working practices and would discuss local details only.

The company denied it had guaranteed there would be no compulsory redundancies but said it would seek to avoid them. It would not refer any issue relating to the changes to Acas for binding arbitration, but would expedite any union approach to Acas "unilaterally" on a non-binding basis.

Exchange chief backs reform of regulators

THE CHAIRMAN of the London Stock Exchange last night called for greater powers of enforcement for UK regulators, writes Tracy Corrigan.

In a speech to the Chartered Institute of Management Accountants, Sir Andrew Hugh Smith went further than in previous criticisms and said regulation could not be effective "without statutory power to interrogate, to demand documents and records and perhaps to demand answers".

His views on the shape *which reform should take* appear to tally with those of Mr Andrew Large, chairman of the Securities and Investments Board, who is engaged in a review of the SIB's role.

Last month, Mr Large said he might ask the government for new powers to mount civil litigation against alleged City wrongdoers, along the lines of the powers held by the US Securities and Exchange Commission.

Sir Andrew, in yesterday's speech, said: "I believe that [the SIB] should now receive the statutory powers necessary to provide a fully effective investigatory capacity."

Hong Kong group plans TV factory

By Chris Tighe

THE HONG KONG-based Kong Wah consumer electronic and electrical products group has chosen South Tyneside, north-east England, for its first European plant.

The company said yesterday that the £10m project, which will eventually produce 1,000 *wide-screen and digital stereo* televisions a day for the European market, is to receive £3.25m in regional selective assistance from the Department of Trade and Industry. It will create 280 jobs.

The Redwood Group, Kong Wah's project manager and adviser, said the company had decided on the project partly because it was concerned that European Community quotas under which televisions made elsewhere can be imported without tariff may be tightened.

This year tariffs apply once colour television imports from non-Community countries exceed Ecus 650,000 in total. The 1993 quota is under negotiation *in Brussels* and there is to be a review next year of the general scheme of preference under which the quota arrangements operate.

European sales account for 50 per cent of the Kong Wah group's turnover – about $2.5bn in 1991.

The company, Hong Kong's largest television manufacturer, will start production in September in a factory to be *built in South Shields on* land reclaimed at a cost of almost £1m by the Tyne and Wear Development Corporation. The company has started discussions on the UK sourcing of components.

The project, for which other European locations, particularly France, competed, qualifies for a European Coal and Steel Community loan. Kong Wah is investing £3.25m and *the TWDC is providing a* £500,000 grant. The move is a boost for South Tyneside, where the 18 per cent unemployment rate is the highest of any English area.

Mr Lam Chung Kui, Kong Wah's chairman, said north-east England was recommended by companies located there.

Season of goodwill and runny noses

By Paul Abrahams

WINTER IS upon us and tissue manufacturers are praying for a stream of runny noses.

It is three years since the UK last suffered a big flu epidemic and in the meantime the market for facial tissues has suffered, with volume sales down 2 per cent on last year.

"I hate to say it, but we are sitting with our fingers crossed for a really good cold season," says Mr Paul Southern, product group manager for facials at Scott, the US paper group. He believes that the market for facial tissues – worth about £140m – has been static for 10 years and is now in decline.

Mr Southern laments: "Tissues are a discretionary purchase. People are using toilet tissue or kitchen towels instead." Toilet tissue is not designed for nose-blowing, warns Mr John Waters, trade market manager for facial tissues at Kimberly-Clark, the US group that sells Kleenex.

Tissue manufacturers' hopes for a good winter are shared by cold-remedy manufacturers. So far, the flu figures monitored by Meditex, a London-based research group, are marginally up on last year.

"It's looking encouraging – at least from our point of view," says Mr Roger Crow, marketing manager at the consumer division of Wellcome, the healthcare company.

At stake is a market for pharmacy-based remedies worth about £68m a year, according to Ms Lesley Spokes, product manager for Sudafed, Wellcome's decongestant remedy and the market leader in the UK. That market is more resistant, with growth of 1 per cent by volume and 8 per cent by value. "It's a one-off distress purchase."

The price of the cold is more than just the cost of tissues and remedies. It is the world's most expensive disease. SmithKline Beecham, the Anglo-American healthcare company, reckons a fifth of the UK population suffers from a cold or flu during any week in the winter. Colds account for more days off than all other diseases combined.

Britain in brief

Barclays to cut 3,000 more jobs

Barclays Bank, one of *Britain's four main clearers,* confirmed that it expects to lose 3,000 more jobs by the end of 1995 than the 15,000 it originally estimated last year. It said it had already shed 9,000 staff through natural wastage and voluntary redundancy.

Banking unions protested at the spread of compulsory redundancies as Barclays Bank told staff that an acceleration of its job-cutting efforts meant it could no longer guarantee that all redundancies would be voluntary.

The bank said the increased level of cuts from its UK staff of 79,400 reflected its drive to reduce operating costs and improve efficiency. The bank is likely to announce poor *results this year.*

Power station plans delayed

Plans for the construction of *eight gas-fired power stations* in England and Wales have been abandoned or delayed in moves that will ease fears that the UK electricity market will be heavily over-supplied in the mid-1990s.

The National Grid, which manages the electricity system, said of 28 power stations with which it had connection plans earlier in the year, four had been postponed and another four delayed.

Ford workers to be balloted

Workers at Ford, the UK subsidiary of the US motor manufacturer, are to be balloted on strike action over job losses.

More than 25,000 workers will be balloted on possible industrial action, including an *all-out strike. Union leaders* voted to hold the ballot following Ford's announcement that it wanted a reduction of 1,487 in the workforces of its UK plants. Ford had hoped to achieve the reduction through voluntarily redundancy but said if numbers had not been met by December 11 it would make compulsory cuts.

Airlines lose action on BA

Virgin Atlantic and the owners of British Midland have failed in their High Court attempt to have the British Airways takeover of Dan-Air referred to the Monopolies and Mergers Commission.

The two independent airlines were refused leave for a judi*cial review of the government's* decision not to refer the takeover to the commission. Lawyers for the two carriers claimed the proposal contravened articles in the Treaty of Rome which prohibits abuse of a dominant trading position.

Mr Justice Schiemann ruled the airlines had no arguable case. The carriers are considering whether to take their case to the Court of Appeal.

Cement group cuts capacity

Castle Cement, the Scandinavian-owned cement company, announced it was cutting its manufacturing capacity by a *tenth with the loss of more* than 100 jobs.

It is the second large British cement manufacturer in less than a week to announce cutbacks. Castle which is owned jointly by Aker, the Norwegian cement producer and engineering firm, and Euroc, *the Swedish industrial group,* is to reduce manufacturing capacity by 320,000 tonnes a year by mothballing one of its three kilns at its Ribblesdale works in northern England.

Drugs worth £160m seized

Police and Customs have seized the biggest single haul of cocaine in the UK in an armed swoop as the drugs were being unloaded from an oil rig support ship.

It brought cocaine seizures so far this year to about 2.7 tonnes – more than the entire figure for last year when 1,061 tonnes worth £138m were intercepted. The haul, weighing more than a tonne with an estimated street value of £160m was seized from a *Panamanian*-registered vessel at Woolwich docks, south-east London.

Tighter control on smoking

The government plans to increasingly tighten controls on smoking, but believes a total ban could not be enforced, according to Health Secretary Mrs Virginia Bottomley. It is committed to reducing the number of smokers in Britain to just 20 per cent of the population from its current 30 per cent level, she said.

Travel industry fights new rules

Trading standards officers, the travel industry and the opposition Labour party have launched an attack on a new *package travel regulations* proposed by the government.

Trading standards officers said they would not be able to say whether requirements for adequate insurance cover were sufficient to prevent consumers losing money or being stranded overseas.

Lincoln speech fetches $1.32

An autograph manuscript by Abraham Lincoln sold for $1.32m at Christie's, an auction record for an American manuscript. It contains some of Lincoln's most famous phrases – including "with malice toward none; with charity for all" – from his inaugural address of 1865.

Workers hurt in tunnel

Five workers were taken to hospital after an accident in the Channel tunnel. The incident, five miles out from the English side of the tunnel, is thought to have involved a collision between two trains used to transport workers.

Wider role for auditors proposed

By Andrew Jack

AUDITORS should be made more accountable to shareholders and report on a far wider *range of activities in their* scrutiny of listed companies, the Auditing Practices Board said yesterday.

The recommendations follow strong public criticism of the role of auditors following recent high-profile corporate collapses such as the Maxwell business empire, *BCCI* and Polly Peck.

They should provide more detailed information on a company's performance, management and future viability, said the APB, the body funded by the accounting profession which was created last year to draw up auditing standards and guidelines.

In a radical, wide-ranging discussion document on the future *development of audit*ing, it said there was need for auditors to report to a wider audience of "stakeholders" which might include both existing and potential debth*olders, customers, suppliers,* employees and regulators.

In exchange, it says the law must be changed to reduce the exposure of accountants to litigation and to share the risks of legal action with directors of companies.

Mr John McFarlane, managing director of Citibank UK and chairman of the APB working group which produced the document, said: "The role and scope of audit urgently needs to be extended to meet the revised needs of users of accounts."

The APB stressed that auditors' are responsible to a company's shareholders in law and condemns the colloquial use of the word "client" by accoun*tancy firms to refer to a com*pany and its directors. It says that shareholders should be more directly involved in the appointment, remuneration, scope of work conducted by *audit firms, and in discussion* of the auditor's findings.

It welcomes recent calls from other bodies for the appointment of audit committees in companies, for periodic rotation of auditors and for limits on the dependency of an audit firm on a single company for fees.

But it rejects suggestions that auditors should not be allowed to conduct other services such as consulting for audit clients. It says independence is principally an attitude of mind which must be controlled within the accountancy firms with strong controls and tight procedures.

It has asked for comments on its proposals by March 31 next year.

State help urged over terrorism costs

By Richard Lapper, Insurance Correspondent

BRITISH industry and its insurers yesterday agreed to step up their campaign for the government to help pay losses caused by terrorists.

Businesses are concerned that the decision by insurers *earlier this month to stop cov*ering the risk of terrorist attack will leave them unprotected from bombs, such as the one which damaged the Commercial Union tower in the City in April.

"We have to get industry's strength of feeling across to government", said Mr Alan Fleming, of the Association of Insurance and Risk Managers in Industry and Commerce (Airmic) which represents over 300 leading companies.

Airmic yesterday met representatives from the CBI, Britain's employers' organisation, the Association of British Insurers, *the insurance indus*try trade association, and Mr John Greenway, the Conservative MP and chairman of the Commons all-party insurance and financial services committee.

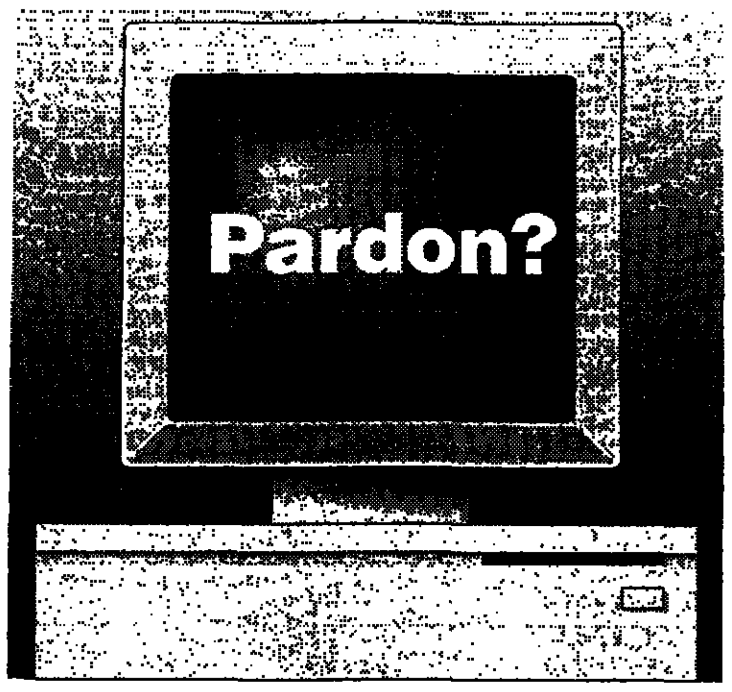
None of the organisations are likely to call for the government to introduce its Northern Ireland compensation scheme to mainland Britain. Mr Greenway said this would give a "huge propaganda advantage to the IRA". Ministers are *also thought* to be concerned about cost – the government has paid out about £620m for property damaged by *terrorists in Northern Ireland* since 1968, while claims from the two London bombs in April amount to an estimated £800m, according to the ABI.

Instead the focus is likely to be on ways in which the government could support the reinsurance market, allowing insurers to continue offering cover against terrorism. Mr Fleming said Airmic had made a proposal to the ABI though no details were available. Last week Mr Greenway suggested the government work "in partnership with the private sector to provide the levels of reinsurance that the market was able to offer in the past".

● The Baltic Exchange yesterday agreed a settlement with insurers for its St Mary Axe *building,* which was damaged in the April City bomb attack. Royal Insurance and other insurers have agreed to pay *the £27.6m claim in full.*

Computers that recognise human speech are the talk of the town, reports Louise Kehoe

Something to shout about



For at least two decades, the computers of science fiction novels and films have obeyed spoken commands. Now, with the development of advanced automatic speech recognition technology, reality is beginning to catch up with imagination.

In the US and Italy, hospital radiologists are experimenting with a computer that can directly transcribe their comments as they examine x-ray images. Some New York stockbrokers are trying out computers that can respond to their verbal buy and sell orders.

At one of the leading US newspapers, writers who have become disabled by repetitive strain injuries that limit their use of a computer keyboard are dictating their reports to computers that can transform speech directly into text.

All are pilot customers for a new range of products unveiled last week by International Business Machines which demonstrates significant strides in the ability of computers to decipher the frequently ambiguous mutterings of human speech.

Until now, speech recognition has been more of a curiosity than a *practical means of communicating* with a computer. Pioneers of computer speech input have focused upon the needs of disabled computer users with systems that are trained to "understand" an individual's speech, or upon narrowly defined applications that require a limited vocabulary.

Yet the vast potential of speech recognition to provide a more "natural" link between man and machine is spurring development efforts throughout the computer industry.

For people whose jobs keep their hands full – dentists, bank clerks, emergency room doctors, pilots or police car drivers, for example – speech recognition could provide a way to make use of computers as they work.

"Speech is the most natural and efficient means of communications," says James Cannavino, IBM vice president and general manager of personal systems. "Enabling computers to accept and compute the spoken word can mean tremendous gains in productivity for existing customers and can open up the world of computing to a whole new population of users."

Advances in the complex mathematical algorithms needed to analyse speech and guess at the true *meaning of the spoken word have* contributed to the latest generation of speech recognition products.

The availability of powerful microprocessors and signal processor chips at relatively low cost has brought speech processing to the desktop computer. Noise-cancelling microphones that screen out background noise are also critical to making speech processing systems practical in the workplace.

Still, key challenges remain. These are: the variations between the way different people pronounce the same words; a wide vocabulary; and the tendency of speakers to blend one word into the next in continuous speech. IBM's new offerings reflect compromises between these challenges.

IBM's "Speech Server" is a voice dictation system that must be trained to recognise the voices of individual users. It also requires users to talk in a clipped fashion, pausing between each word.

However, the system provides the most accurate speech recognition available, IBM claims. Its vocabulary of 20,000 words is larger than any existing system and it can be customised to accept new words by individual users. The program accepts dictation at up to 70 words per minute – faster than most computer users can type.

Speech Server is aimed at businesses that generate large volumes of documents that must be transcribed with great accuracy. As text is dictated into a headset or lapel microphone, the program is trained to accept the speaker's accent. It analyses the speaker's voice and displays the speech in text.

A statistical language model sorts out homonyms such as two, to, or too, and recognises frequently used word patterns such as President George Bush.

If the program does not recognise a new word – a name, for example – it will display a few guesses, enabling the user to "point and click" with a mouse, or type in a new word on the keyboard.

Speech Server is designed to run on an IBM RS/6000 workstation with up to eight users on a local area network. The program costs $6,950 *(£4,600), plus $695 per user for net*worked systems. It requires a special processor circuit board costing $1,900.

For continuous speech applications, IBM is taking a different tack. Its Continuous Speech program, developed in conjunction with Carnegie-Mellon University, is designed to enable software developers to incorporate speech recognition in existing or new applications products. Continuous Speech accepts any voice and is expected to find use in a broad range *of applications* with a relatively limited vocabulary of up to 1,000 words.

Systems that allow anyone to say anything to a computer at a normal rate of speech are still on the drawing board. IBM's new offerings do not quite live up to the capabilities of Hal, the infamous computer in the science-fiction classic 2001: A *Space Odyssey, but they do suggest* that by the turn of the century we may indeed be regularly talking – and listening – to computers.

China sets sights on electronics

By Louise Kehoe

China is planning an ambitious effort to modernise and expand its electronics industry, senior Chinese government and industry officials said on a recent trade mission to the US.

Currently, China is roughly 10 to 15 years behind the most advanced semiconductor production technology, they said. The country's production of computers is limited and the bulk of its electronics industry is focused on low-end consumer electronics products.

However, by 2000, China aims to achieve volume production of semiconductor chips with submicron feature sizes, equivalent to today's most advanced technology.

The goal of the Chinese government is to quadruple production of personal computers by 1995, as well as to expand greatly the manufacture of telephones, telephone switchgear and consumer electronics products.

The Chinese visitors told US semiconductor production *equipment manufacturers* that they plan to purchase up to $2bn (£1.3bn) worth of equipment to expand chip production over the next two years. They made it clear that they strongly favour US suppliers over their Japanese competitors, according to US industry officials.

These sales, if they materialise, would represent a big boost for *US semiconductor* equipment producers, whose 1992 sales total approximately $5.5bn, according to VLSI Research, a market research group.

"In order to catch up to the pace of the world electronics industry as soon as possible, the Chinese government aims to accelerate industry development," Yu Zhongyu, chief engineer for the Ministry of Machinery and Electronics Industry, told US industry executives at a meeting organised by Semiconductor Equipment and Materials International (Semi), an international trade group.

By 1995; China aims to fulfil 40 per cent of its semiconductor requirements domestically, up from a current level of about 20 per cent today, he said. It projects the total value of electronics products to be worth Yuan 130bn-150n (£15bn-£17bn) by then.

Until June 1991, Cocom export restrictions limited sales of western and Japanese electronics products to China. With the liberalisation of export controls, trade is rapidly increasing.

In addition to purchasing semiconductor production *equipment and materials from* western suppliers, the burgeoning Chinese semiconductor industry is seeking co-operative agreements with US companies, Zhongyu said.

"We welcome Semi members to co-operate with China in any form of technology transfer – collaboration in production, joint ventures or foreign-owned ventures." *Semi is planning to stage* a first-of-its-kind semiconductor production and materials trade show in Shanghai in October 1993.

Chinese electronics production

In units	1991	1995*
Computers (small and medium scale)	540	1,500
Personal computers	93,400	400,000
Telephones (million)	9.5	15
Telephone exchange sets (million)	1.0	4.5
Colour televisions (million)	11.8	12
Video Tape recorders (million)	0.2	3
Audio tape recorders (million)	22.9	25
Integrated circuits (semiconductor chips) (million)	130	500
Total value of electronics products (bn Yuan)	88.6	130-150

Source: Chinese Ministry of Machinery and Electronics Industry. * Projected

Crossed lines on European IT networks

Many British companies know all too well that in these days of prolonged UK recession and increasingly global markets, their future lies in mainland Europe. The export opportunities opened up by sterling's devaluation have reinforced *this perception.*

The trouble is that companies do not always know the best way to go about building up business abroad. They are aware of the customers they want to attract or the sectors they wish to penetrate. They may also have a fair idea of the sort of electronic systems they need.

But this is where their planning often starts to fall down, according to a study carried out among industrial, financial, service and consumer companies for 3Com (UK), part of California-based 3Com, which makes computer equipment. *It concluded that there is a worry*ing lack of agreement between managers at different levels as to what their companies really need.

For instance, while main board directors tend to favour systems of strategic value, such as those linking different business functions like manufacturing and sales, managers responsible for implementing European networks often take a narrower view, wanting facilities like electronic mail. Only 35 per cent of directors see the latter as being important for European growth compared with 52 per cent *of network managers.*

Also, there is a tendency to be over-ambitious. Nearly half of directors expect their international data communications to increase by over 40 per cent in the next 12 months, as do about a third of network managers. Astonishingly, nearly 20 per cent of those polled expect growth to exceed 100 per cent.

This, says Tom Plimmer, 3Com's UK managing director, "could lead to complexity outgrowing capability". The study, carried out by Business Marketing Services with *50 directors responsible for strat*egy and 100 network managers, also revealed other worrying examples of inconsistency.

As many as 81 per cent of network managers believe they derive value for money on their European networks; only 48 per cent of directors think so. Moreover, less than a quarter of the companies have strategic networking plans to support their growth. Hardly flattering to the network managers was the fact that directors seem "barely aware of their existence".

There is also disturbing news for *airline and hotel operators. More* than 40 per cent of directors would consider video conferences as an alternative to business travel, on which UK companies now spend £22bn a year.

Andrew Fisher

BUSINESS AND THE LAW

Commission's powers upheld in telecoms sector

EUROPEAN COURT

The European Commission's powers under the Rome Treaty to ensure that EC competition rules are applied to regulated industries throughout the Community have been upheld by the European Court in an important series of cases.

The cases, brought by Spain, Belgium and Italy, dealt with the Commission's measures in the telecommunication services sector which were designed to open up access to the market by abolishing all special or exclusive rights relating to the supply of telecommunication services other than voice telephony.

Among other things the measures also allowed users to terminate long-term supply contracts once the special rights had been abolished.

The Court ruled that the Commission's *powers were not limited to* simply surveilling rules already in existence but that it had a general right under the Rome Treaty to implement new measures such as those under attack. The fact that such a measure could have been implemented by the Council of Ministers did not affect the Commission's competence to act.

The Court thus held that the Commission's measures were lawful and that the exclusive rights of establishment and exploitation of telecommunications services given to organisations by EC countries could therefore be abolished.

However, the abolition of special rights was not lawful in that the Commission had failed to define them precisely. The right to terminate long-term supply contracts was also overruled on the ground that other Rome Treaty provisions should have been used.

Joined Cases C-371/90, 281/90 and 289/90: Spain, Belgium and Italy v Commission, ECJ FC, 17 November, 1992.

UK fishing licence conditions overturned

UK FISHING legislation which places nationality and residence conditions on fishing vessels operating from the UK has been overturned by the Court.

Under UK law, the granting of fishing licences was subject to certain conditions, one of which was that at least 75 per cent of the crew of the vessel seeking a licence had to be British citizens or EC nationals ordinarily resident in the UK, excluding Spanish and Portuguese nationals until January 1, 1993.

The Court said the exclusion of the Spanish and Portuguese nationals was contrary to the Rome Treaty provisions on the free movement of workers, the right of establishment and the freedom to provide services throughout the Community. The residence requirement was also contrary to the same provisions.

C-279/89: Commission v UK, ECJ FC, 17 November, 1992.)

Dutch old-age pension rules not discriminatory

THE COURT has upheld Dutch old-age pension rules, in spite of the fact that their effect benefited men more than women. Dutch legislation provided that individuals were *entitled to an old-age pensions* when they reached 65. This pension could be increased if the pensioner had a dependent spouse who had not yet reached 65 years. However, the amount of the increase was dependent of the spouses's own earnings.

A Dutch man whose pension was reduced by virtue of the fact that his wife was receiving certain state benefits, brought an action in the Dutch courts, contesting the decision to reduce his pension and arguing that the national rules were contrary to Community law, in that they benefited men more than women and were thus discriminatory and unlawful.

The European Court held that men benefited more from the rules in question than women, by virtue of the fact that husbands were generally older than their wives and that therefore the rules were *per se* discriminatory.

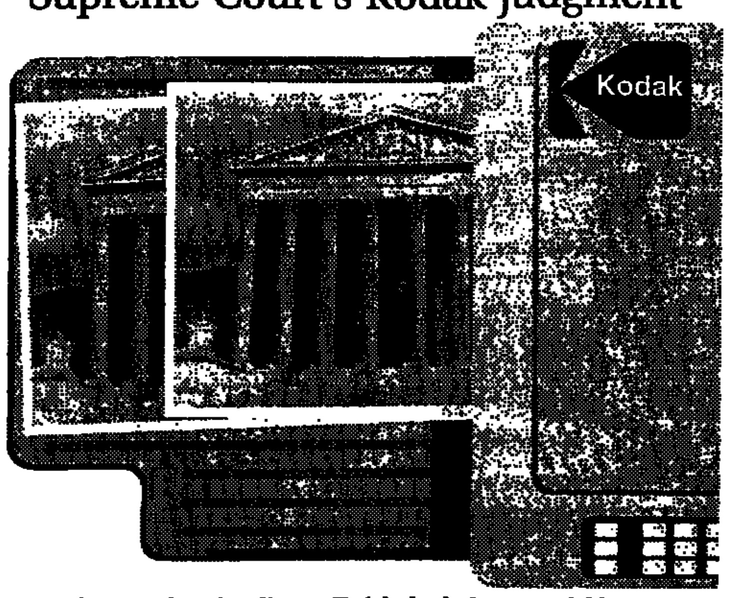
However, the Court went on to find the rules were nevertheless objectively justified in that, among other things, they formed part of the social policy of the Netherlands and a certain margin of discretion was allowed in the application of such rules.

C-226/91: Jan Molenbroek v Bestuur van de Sociaise Verzekeringsbank, ECJ 2CH, 19 November, 1992.

BRICK COURT CHAMBERS, BRUSSELS.

Flash warning

Robert Rice on the potentially far-reaching implications of the US Supreme Court's Kodak judgment



The US Supreme Court's ruling on Kodak shocked commercial lawyers

The recent US Supreme Court ruling against Eastman Kodak reinstating an antitrust lawsuit filed against the photographic equipment giant in 1987 by 18 service companies, came as a rude shock to America's commercial lawyers.

Lawyers for the companies, which accused Kodak of violating federal antitrust laws by operating an illegal 'tying-in' agreement involving sale and repair of photocopiers, hailed it as the most important decision for US business in a decade.

Mr Richard Fine, a Los Angeles attorney who filed a brief on behalf of the California State Electronics Association (CSEA) in support of the independent service providers, said the decision guaranteed survival of a domestic service industry for all products, including cars, computers and consumer electronics.

The decision would reduce the amount consumers pay for service and repair of products and boost the provision of parts manufacturing. Ultimately, by reducing US dependence on foreign made parts, the ruling would reduce America's balance of payments deficit, he said.

Antitrust lawyers regard the decision as no less revolutionary but for different reasons.

The Supreme Court move came as a big surprise, says Mr Roy Englert, *a partner in the Washington office* of the law firm Mayer Brown & Platt. This is because the ruling delivered a sharp rebuke to the free-market, Chicago School approach to competition issues that has dominated the Supreme Court's handling of antitrust cases in recent years.

"The court has relied on heavier and heavier doses of economic theory in its antitrust decisions. Most people expected the Kodak case to go the same way," he says.

Instead the justices said there could be no blind reliance on economic theory. The theory must relate to the evidence of the market.

On another level, by ordering Kodak to go to trial on the 1987 lawsuit, the Supreme Court decision has sown fresh confusion about the extent to which antitrust cases can be disposed of by summary judgment without going to full trial.

The US still has juries in civil cases. Corporate lawyers believe juries invariably rule against companies accused of anti-competitive policies because they do not understand the issues. It is in their clients' interests therefore to dispose of antitrust cases before trial.

The case against Kodak was that by refusing to sell independent service groups parts to fix its copiers, the photographic equipment giant was, in effect, trying to squeeze them out of the market. Kodak's policy was to only sell parts to owners of its copiers that had to use Kodak to service the machines, or who performed repairs themselves.

Service companies argued that this policy amounted to an illegal 'tying-in' arrangement. Kodak insists this was not anti-competitive because it only controlled a quarter of the market in copier machine sales. Consequently, its monopoly on parts and servicing was legal.

The decision was a rebuke to the free-market approach to competition issues that has dominated antitrust cases in recent years

In other words companies that contracted to buy Kodak copiers knew what they were letting themselves in for. So long as there was strong competition in the equipment market itself, tied service agreements were not necessarily anti-competitive.

The court rejected this argument by six to three. If Kodak had won, the result could have been the domination of the US service industry by a few original equipment manufacturers, a disastrous outcome for consumers, Mr Fine says. As it is, the decision has given the service industry a new lease of life that will lead to greater competition and drive prices down.

The importance of this cannot be underestimated, he adds. The US is no longer a manufacturing based economy. More than 60 per cent of its gross domestic product is service oriented. In the car industry in 1990 about $255bn (£169bn) was spent on parts and servicing, dwarfing the $147.8bn spent on new car sales. The high-tech equipment service market, worth $250bn a year, is forecast to grow by more than 17 per cent a year.

Mr Fine also believes more competition in the service sector will create a demand for cheaper spare parts. Many manufacturers seem to be discouraging a market in service and repair of their products by pricing parts at levels that encourage consumers to buy new models when existing ones break down rather than get them fixed.

Mr Fine points to a brand of Japanese television on sale in California for $300 new; yet to replace its four most expensive parts would cost $800. New wide-screen televisions cost about $2,500, but a replacement picture tube costs $2,600. This pricing policy should create the opportunity for new American parts manufacturers to spring up and for existing ones to expand, he says.

The Kodak case is now back in San Francisco's federal district court for a trial on the facts; Kodak shows every sign of fighting it – in spite of the perceived wisdom that if the case goes before a jury the plaintiffs will win.

Mr Jim Hennefer, the attorney running the case for the independent service companies, says he is knee-deep in documents requested by Kodak, while new evidence of abuse by Kodak arrives daily. The next preliminary hearing is set for December 17, when the district court judge will set a trial date for autumn 1994.

Meanwhile, Mr Fine is pursuing a $600m class action suit on behalf of CSEA against 34 of the world's biggest consumer electronics manufacturers. CSEA alleges that the makers fail to compensate independent service companies properly for doing their warranty work as required by state law.

He says he is close to agreeing *settlement terms with some of the* companies, but last week was forced to file fresh class action damages suits against Sony, Sharp, Toshiba and Sansui, which have shown no signs of settling.

In spite of these actions in California, the avalanche of litigation between manufacturers and the US's 250,000 independent service providers predicted by Justice Scalia in the wake of the Kodak ruling, has yet to materialise.

Some lawyers say the impact of the Kodak decision may be narrower than first thought. Kodak's policy was aggressive and its terms stringent. It may yet turn out to be a one-off.

"The Motor Vehicle Manufacturers' Association filed a brief in support of Kodak. It hoped Kodak would win, because if Kodak's policy was ruled OK then theirs definitely would be. But just because Kodak lost doesn't mean the car manufacturers' policy on after-sale service and parts violates antitrust law," says Mr Englert.

There is good news for antitrust lawyers too. Last week the Supreme Court accepted for review a predatory pricing case in the tobacco industry from the 4th Circuit Court of Appeal in Richmond, Virginia. That will provide an early opportunity for the justices to make it clear whether or not they have really abandoned the Chicago School approach to competition issues.

LEGAL BRIEFS

European Court to rule over Mediobanca

The first direct challenge to the European Commission over the EC Merger Regulation has reached the European Court. The Commission ruled in December 1991 *that a rise* in Mediobanca's shareholding in Assicurazioni Generali from 5.98 per cent to 12.84 per cent did not fall foul of the Regulation because it did not enable Mediobanca, alone or with others, to exercise control over AG. The ruling mentioned an agreement between Mediobanca and Euralux, the second largest *shareholder in AG, not to* sell their shares to anyone else, but said there was no agreement for any joint exercise of voting power. This was challenged by three minority shareholders who say there was a secret agreement between AG, Mediobanca and Lazard Frères, Euralux's owners, to enable Mediobanca and Euralux to gain joint control over AG, and that the Commission was misled about the agreement and Mediobanca's control. The minority shareholders have appealed against the Commission's refusal to re-open proceedings, questioning its understanding of the concept of "control" in article 3 of the Regulation.

Punitive damages

The Court of Appeal's judgment last week in the Camelford Water Pollution case marks the first major restatement of the English law on exemplary, or punitive, damages for 20 years, according to City solicitors Herbert Smith.

Rejecting a claim for punitive damages by 180 people who suffered side-effects from drinking contaminated water at Camelford, Cornwall in July 1988, the Appeal Court made it clear that punitive damages cannot be awarded in claims of negligence, breach of statutory duty or public nuisance.

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FT-14

MANAGEMENT: THE GROWING BUSINESS

A fresh start abroad is the dream of many entrepreneurs. **Lorraine Bacchus** describes the bureaucracy encountered by an expatriate horticulturist in Andalusia

A Spaniard in the works

Five years ago, Scotsman Callum Christie decided that southern Spain would provide the ideal climate for a new horticulture venture. Subsequent events have proved him right but Spanish bureaucracy has at times left him wondering why he is putting himself through so much pain.

"It's the time wasted on endless legal formalities that is so frustrating," he says, "together with the knowledge that as an outsider you're obviously mainly dealing with people who know the ropes better than you, can get a better deal for themselves and can be more competitive. As an outsider it takes a long time to acquire that necessary insider network."

Christie has two sides to his horticultural business, Mundo Verde, both in Andalusia. The nurseries in San Martin del Tesorillo, near the Costa del Sol, concentrate on indoor ornamental plants with the *Schefflera Bola* being the principal seller he has developed.

On the plains near the Sierra Nevada, with Granada an hour away, his farm is entirely devoted to strawberry runners, produced mostly for sale to the growers in the Huelva region whose big export markets are Britain and Germany.

In total he owns 12 hectares, yet has found it difficult to borrow money against the land and its fixed assets

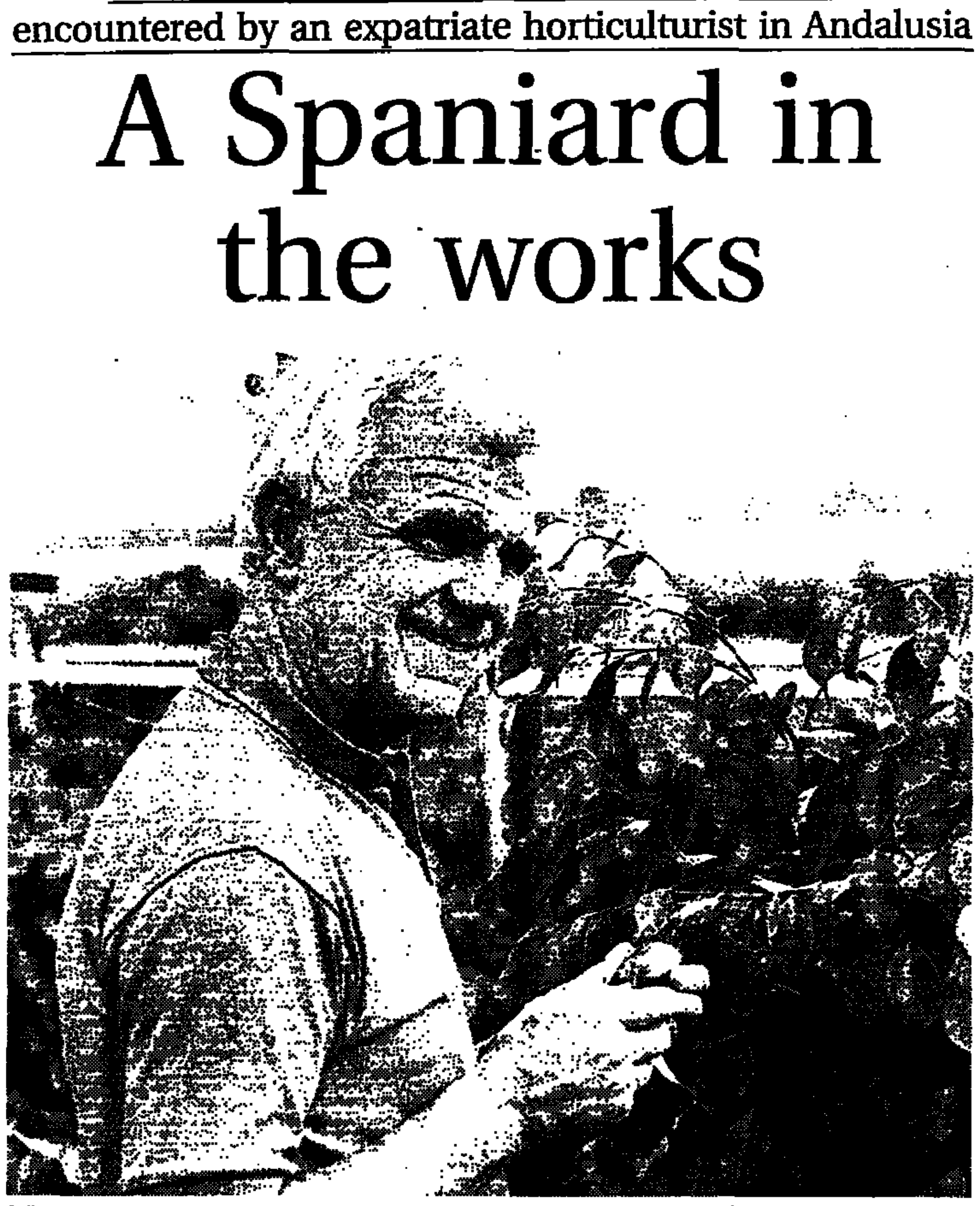
"I'm pretty sure I would have managed to raise money in Britain against this security but I think the banking system here is very conservative and expensive. The base rate is 15 per cent, with loans costing anything over 17 per cent," says Christie.

However, his main cashflow problems are caused by the endemic use in Spain of a kind of promissory note called a *letra de cambio.* They constitute an acceptance of the goods concerned and a promise to pay.

They can be dated for any time ahead and are so widely used that in cases where the issuer's creditworthiness is known, the bank will lend against the security of the *letra* in advance of the settlement date.

However, if there are insufficient funds when the *letra* is finally presented, it will be returned to the drawer with costs and his own bank will then recoup the loan. If the issuer refuses to pay up, the only recourse is through the courts.

"All this can take months," says Christie, "and is further complicated by the fact that if the issuer of the *letra* lives in a different province, you have to instruct your lawyer to appoint another lawyer based in the relevant district to act for you. You can't pursue someone in legal terms from outside his province."



Callum Christie: 'As an outsider it takes a long time to acquire that necessary insider network'

Both lawyers have to be paid up front and, as with all debt chasing, there is no guarantee of success.

Thirty per cent of Christie's business involves the use of *letras de cambio* and he says he has never had so may bad debts. "Obviously we have good customers who pay promptly but there is a substantial number who use every dodge to avoid payment."

Part of the job of debt collecting falls to Christie's 23-year-old son C.J. (they share the same Christian name and so initials avoid confusion) who joined his father in Spain two years ago.

His Spanish is now so proficient that in Andalusia at least he is often mistaken for a local. "As my Spanish has got better, so the job has got easier and more enjoyable because you can indulge in a bit of banter with the customers as well as being firm when necessary. But I'm still a *gringo* and so I'm sure I have to work harder to get an order and that I get messed around a lot more than a Spaniard."

C.J. spends a lot of his working life on sales trips, driving all over Spain and dealing with people in almost every region. This has given him a valuable insight into the Spanish character.

"I've never been in business in Britain so I can't make comparisons, but here you can sometimes spend a hour talking about football, the sovereignty of Gibraltar, the weather and so on before even broaching the subject of how many plants they want. But I think that if I didn't spend the time doing that, I would not get the orders. And anyway, it is fun."

The horticulture business in Spain can be as precarious as anywhere. Just last year, the Christies lost all their strawberry runner harvest because of unseasonal rain and flooding.

Christie thinks a more secure business might be that of a notary. "It's incredible to think how much money they must earn just because of the amount of red-tape in Spain.

"With company accounts, for example, you have to sign them in front of a notary. You have to pay him for this privilege as well as perhaps waiting a hour to see him and another hour or so driving to his office," says Christie.

"You also have to appear in front of a notary to obtain the title deeds for your property and to obtain the authority to sign documents on behalf of your own company. Each time you have to pay him just for witnessing your signature. And all this is on top of your lawyer's fees," he says.

The authority to sign company documents is known as a *poder* and in business in Spain you need to use it a lot – even to collect a refund.

"You have to go in person to the nearest tax office – in my case a two-hour drive away – with your *poder* and passport to prove that you are who you claim to be and that you are empowered to receive money on behalf of the company," explains Christie.

A *corredor comercial*, similar to a notary, has to be used to witness signatures when a bank loan has been negotiated. For this, the official receives a tenth of 1 per cent of the agreed loan which can be a considerable amount.

"I can only assume all this signature witnessing is either because there's a lot of fraud in Spain or because, in case of problems, nobody wants to be where the buck stops," says Christie.

For the Christies, the main pleasure of being in business in Spain has come from the Spanish workers they employ. They describe their small team as not only extremely industrious but also loyal and interested in the company.

"These five years have certainly been a learning experience and at certain levels it has been very enjoyable. I can't say though whether I would embark on the project with the benefit of hindsight," says Christie.

Orchestrating an orderly exit for the owners

By Ian Hamilton Fazey

Corporate finance executives in Manchester have started playing tunes on a new instrument. It is called the Obo and Barclays Bank has been sufficiently intrigued to start sending groups of managers to hear what is uttering forth.

Obo is an acronym for a financial instrument, which the inventor, James Dow of KPMG Peat Marwick, calls an "Owner Buy Out". For good measure, his partner Malcolm Edge has ensured that any taxophonic qualities can be pleasantly muted.

It is designed to allow a venture capital fund or suchlike to buy 20 or 30 per cent of a good, but highly geared, small- or medium-sized business so it can fight on through the recession, probably pay off the bank, and live to sell itself or float another day.

It hardly sounds revolutionary but Dow and Edge claim there has never been anything quite like it before. They say it offers businesses, investing institutions and banks a counter-recessionary strategy for the mutual benefit of all.

Many good companies are tight against borrowing limits and are already overgeared. Banks are refusing to lend more and know that opportunities to recover lendings via receivership are poor, with prices depressed.

Meanwhile venture capital funds and other equity financiers are paralysed by poor deal flow and illiquidity and are desperate to find some low-risk equity investment.

The Obo theory is to find temporarily troubled, but fundamentally sound, companies which, if they can get through the recession, have good prospects of profit growth.

They have a proven management, but will have probably run out of the cash reserves they felt sure would see them through the recession. These are among the companies now beginning to fail – for no other reason than that the recession has proved unreasonably long for their pockets.

The aim would be to sell or float a business in three or four years' time when the trade sales and stock markets should be recovering. By then profits should also be improving, together with prices.

Are these assumptions about recovery reasonable? Dow says price to earnings ratios must recover - private company p/e ratios have been falling behind the FT500 average now for four years and are currently 40 per cent adrift.

This discount should wither, he says, when recession eventually eases and with it the pressure on margins and profits.

The value to the banks of the whole process would be to lessen their own risks and this has prompted Barclays to send groups of managers, half a dozen at a time, to listen to Dow and Edge. Similar seminars are planned with other clearers.

Investing institutions, meanwhile, have a chance to take a stake in a proven enterprise with a fair chance of exit and reasonable dividends in prospect.

But will business owners wear it? Some may have no choice if the alternative is closure, but Edge claims to have devised a very tempting tax arrangement to induce them. This involves the owner taking a scrip dividend equal to the value of the investing institution's stake.

This would then be taxed as income, rather than a capital gain, and use made of tax credits so that the net rate emerges as 20 per cent, rather the 40 per cent that would apply via the capital gains route.

If everything then worked to plan, the business could float, or sell, after a few years with higher earnings and, hopefully, for one or two more times earnings than would be possible now.

The investor would have a running yield plus a final capital receipt, while the company owner would have two bites from selling and should make more money.

Dow and Edge say there is real interest, with one deal already in the pipeline.

There are a lot of assumptions, plus real faith that recession cannot go on forever. The risk of their being wrong, they say, is worth taking.

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GREEK EXPORTS S.A.
REPEAT TENDER FOR THE HIGHEST BID

GREEK EXPORTS S.A. registered in Athens (17 Panepistimiou Street), and legally represented in its capacity as Liquidator, in accordance with article 46a of Law 1892/1990 as supplemented by article 14 of Law 2000/1991 and after the decision No. 538/1992 of the Piraeus Court of Appeal.

ANNOUNCES

a repeat public tender for the highest bid with sealed, binding offers for the purchase, in toto, of the assets of ALPHA TELECOMMUNICATIONS & SIGNALS S.A. which is under the status of special liquidation and registered in Kallithea, Attica, at 72-74 Salaminos Street.

ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY

The company is engaged in production and development in two sectors. In the electronics sector and particularly in military electronic equipment such as fuses, and in computer software. It owns 2,775 m² in area in a multi-storey building built on a plot of land 1,003 m² in area, within the municipality of Kallithea, Attica, at 72-74 Salaminos Street.

TERMS OF THE TENDER

1. For this purpose, interested parties are invited to receive from the Liquidator the Offering Memorandum and the outline of the letter of guarantee and to submit a sealed, binding offer to the Athens notary public appointed to the tender, Flora Biana-Zoula, at 14-16 Feidiou Street, 6th floor, tel. 30-1-362.8143 and 30-1-360.0855 up to 15th December 1992 at 19.00 hours.
Bids must be submitted in person or by a legally appointed representative.
2. The bids will be unsealed before the above notary on 16th December 1992 at 10.00 hours with the Liquidator in attendance. Bidders who have submitted their offers within the prescribed time limit may also attend. Bids submitted beyond the prescribed time limit *are not accepted and will not be considered.*
3. The sealed offers must clearly state the purchase price offered for the assets, in toto, of the company, and must be accompanied by a letter of guarantee from a bank legally operating in Greece to the amount of fifty million drachmas (50,000,000 drs) or its equivalent in US dollars (U.S.$).
4. The Company's assets and all fixed and circulating constituent parts thereof, such as immovable and movable property, claims, trademarks, titles, rights, etc, are to be sold and transferred "as is, where is " and, more specifically, in their actual and legal condition and location on the date on which the sale contract is signed, regardless of whether the Company is operating or not.
5. The Liquidator, the Company and the creditors representing 51% of the total claims against the Company (Law 1892/90 article 46a, para. 1 as in force), known hereafter as the Majority Creditors, shall bear no liability for any legal or actual defects or for any deficiency in the effects and rights for sale nor for the possible refusal on the state to approve, as required, the transfer of elements of the assets, nor for their incomplete or faulty description in the Offering Memorandum and in any correspondence. In the event of inconsistencies, entries in the Company's books as they stand on the date of signature of the sale contract, shall prevail.
6. Prospective buyers, hereinafter referred to as "Buyers", shall be obliged , on their own responsibility and due care, and by their own means and at their own expense, to inspect the object of the sale and form their own judgement and declare in their bids that they are fully aware of the actual and legal condition of the assets for sale. The Buyers are hereby reminded that, in accordance with the provisions of Law 1892/90, article 46a, para. 4 as in force, having agreed in writing to maintain confidentiality, they are entitled to have access to any information they may require concerning the Company for sale.
7. Bids should not contain terms which might prevaricate their bindingness or any vagueness concerning the offered price and its method of payment, or any other matter of importance to the sale. The Liquidator and the Majority Creditors have the right, at their *incontestable discretion, to reject offers which contain terms and conditions, irrespective* of whether these offers contain a higher price than that of other bidders. Such unacceptable terms would be, for example, requests for the repair, improvements, or transfer of fixed assets, or requests of guarantees in the collection of claims or the outcome of court actions brought by the Company in this respect, or compliance with recommendations regarding the security of the installations, or for safeguarding the insurance cover, etc.
8. In the event that the person to whom the auction is adjudicated, fails in his obligation to appear within twenty (20) days from being invited to do so, and sign the relative sale *contract and fails to abide by the other obligations accruing from the present* announcement, then the above-mentioned guarantee of fifty million drachmas (50,000,000 drs.) is forfeited to the Liquidator in compensation for expenses of any kind, time spent, and any actual or hypothetical loss sustained, with no obligation on the Liquidator's part to furnish any specific proof or deem that the amount has been forfeited to him as a penalty clause, and collect it from the guarantor bank. Guarantees deposited by other bidders shall be returned to them after the Liquidator's evaluation report has been approved by the Majority Creditors and the highest bidder's guarantee shall be returned to him after he has paid the sale price and the act of settlement has been drawn up and signed.
9. The highest bidder is deemed the one whose offer has been so judged by the Liquidator and approved by the Majority Creditors as being in their best interests.
10. The Liquidator shall not be liable to participants in the auction either with respect to the evaluation report or for his selection of the highest bidder and neither will he be liable to them for the cancellation of the auction in the event that its outcome is not approved by the Majority Creditors.
11. Participants in the auction do not acquire any right, claim or demand from the present announcement or from their participation in the auction, against the Liquidator, for any cause or reason.
12. Transfer expenses of the assets for sale (taxes, stamp duty, notarial and mortgagor's fees, rights and other expenses for drawing up topographical diagrams as required by Law 651/77, etc.) are to be borne by the Buyer.
13. Those taking part in the auction will be committed to keep the enterprise operating.
For any information, interested parties can apply to:

a) The head office of E.T.B.A. S.A.
Directorate of Public Holdings
87 Syngrou Avenue (2nd floor)
Tel. 30-1-92.94.395 and 30-1-92.94.396

b) GREEK EXPORTS S.A.
17 Panepistimiou Street (1st floor)
Tel. 30-1-32.43.111 to 30-1-32.43.115

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Mr IT Watters of Arthur Andersen, Joint Administrative Receiver

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The seminar will be held at the Financial Times, No 1 Southwark Bridge, SE1. Light refreshments will be served from 6.15pm, seminar 7.00pm to 9.00pm. Places at the seminar are strictly limited.

If you wish to attend this free seminar please write to:
Maria Bennett, Livingstone Fisher Plc. 11-15 William Road, London, NW1 3ER.

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MANCHESTER BUSINESS SCHOOL

PEOPLE

Board replacements at LEP

LEP Group, the heavily-indebted freight forwarding and security concern, has made board changes intended to assist David James, the company doctor who has been advising the group since March and became chairman and chief executive in August.

John East, who has been with Lep since 1988, has resigned as finance director. He will receive £85,000 in compensation plus consultancy fees of more than £100,000 for helping James to investigate last year's heavy losses and litigation involving ADT, the security group which has written off £65m on its investment in Lep, and John Read, who resigned as Lep's chairman last November.

Mike Kirkman has resigned as human resources director and will receive compensation of £220,000. He joined the group in June last year and was heavily involved in negotiating this summer's rescue package, which involved 25 banks swapping debt for equity in the restructured company.

They are being replaced by Digby Davies, 34, and Ronald Series, 41, two South African-trained chartered accountants who have already worked with James on the Lep reconstruction, and will take executive responsibility for the group's accounting, financial, administrative and treasury functions.

East and Kirkman have also resigned as directors of Lassen Trustees, which runs Lep's pension fund. East was one of the directors of Lassen last year when it agreed to buy a property from Lep for £12.5m, boosting Lep's interim results. The property was subsequently valued at £8.5m, causing a shortfall in the pension fund.

Bodies politic

■ Helena Wiesner, a former leading light in the Consumers Association, has been appointed to the government-backed Policyholders Protection Board which looks after the interests of small insurance policy-holders in the event of an insurance company not being able to meet its obligations.

Wiesner, who replaces Rosemary McRobert, will serve for one year and represent the interests of policyholders of authorised insurance companies. The board was established under the Policyholders Protection Act 1975 and is financed by statutory levies on the insurance industry as required.

Wiesner, 47, has spent most of her career in the financial services sector. Before setting up on her own as an independent financial consultant, she had worked for the Consumers Association for 18 years, most recently as head of its Economic and Social Group. She is currently a director of LAUTRO and a member of the Insurance Brokers Registration Council.

The government has also re-appointed Michael Hall, a financial consultant, as the alternate member who will stand in for Wiesner when necessary. He is a former member of the Council of the Insurance Ombudsman Bureau.

■ Keith Humphreys, chairman and managing director of the UK arm of Rhône-Poulenc, has been made president of the CIA. The appointment is less unlikely than it sounds given that this CIA is the UK's Chemical Industries Association. He replaces the widely-admired Ray Knowland, former chairman of BP Chemicals, whose speeches at recent CIA dinners have enlivened proceedings considerably.

■ Lord Wyatt of Weeford, 74, has been re-appointed as chairman of the Horserace Totalisator Board for a further period from May 1 1993 to April 30 1995; he has been chairman of the Tote since May 1976.

■ Peter Smith, joint managing partner of City and Corporate Counsel, a vice-president of the Royal Commonwealth Society, founder chairman of the Focus Group, chairman of the government affairs group of the Institute of Public Relations, has been elected chairman of WORLDAWARE, a development education organisation, for a three-year term.

Thomson foundation grows in Wales

It is 30 years since Roy Thomson (later Lord Thomson of Fleet) set up the Thomson Foundation with the aim of furthering the training of print and broadcast journalists in underdeveloped countries. "The general belief was that in 20 years we would be out of business," says current director Norman Cattanach; "Instead, the mandate keeps growing." As a reflection of its expanded activities, the foundation has just appointed another three trustees, in addition to the current six.

The organisation, which for the past three and a half years has been based in Cardiff, has secured the services of Lord Howe, who, as well as having been foreign secretary between 1983 and 1989, was born in Port Talbot. Scots-born Cattanach is particularly keen on the, initially controversial, Welsh connections of the enterprise; he says "it is very handy to have people who do not believe that one language, English, is the be-all and end-all."

John Tusa, who steps down after six years as managing director of the BBC World Service, also becomes a trustee, as does Lady Luce, who is deputy chairman of the English-Speaking Union and is married to former arts minister Sir Richard Luce. Of the latter, Cattanach explains: "She is not an expert in the media; it will be a very good thing to have someone who can look on dispassionately." They join a group of trustees drawn from the diplomatic service and the media, including Lord Campbell of Croy and Lord Thomson of Monifieth.

Recent projects of the foundation, which draws its income partly from Roy Thomson's original grant, and partly from the British Council, the Foreign Office and others, range from bringing television to Tanzania, to training 30 (out of 3,000) producers of China Central TV. Vietnam features high on next year's agenda, with plans among other things to help develop the two-year-old English newspaper Vietnam News.

Mobil: gearing up for Europe

Mobil is pressing ahead with plans for closer integration of its European operations in time for the single European market. When Brian Davis, chairman of Mobil Oil, the UK refining and marketing affiliate, retires at the end of the year, his successor will be Geoffrey Cardinal, currently manager of marketing services for Mobil Europe – which coordinates the activities of the 16 European affiliates.

In parallel moves, Gerhard Roth, manager of planning and administration with Mobil Oil AG (Moag) in Germany will replace Burkhard Genge as country manager. Genge becomes vice president of lubricants for Mobil Europe.

In France, Chris Schneebeli will move from manager of logistics support and development to become president of Mobil Oil Française. He replaces Georges Dupasquier, who moves on to be vice president of Mobil Europe.

At the same time, some European managers will join the boards of other national affiliates to enhance the process of European integration. This will produce what Geoffrey Cardinal calls a "form of matrix operation, where we have strong local teams, but each of their functions is part of the European refining enclave".

One of the strengths he can bring to his new post, Cardinal says, will be his experience of cultural differences and the "many, many commonalities" in different parts of Europe.

Cardinal has spent nine years with Mobil Europe, first as manager, marketing analysis, and later as manager, public affairs. He was general manager of Mobil's marketing and refining businesses in Cyprus, Norway and Austria, where he was responsible for Mobil in eastern Europe.

Last year, when Mobil moved the headquarters for its European operations from Fairfax, Virginia to London, Cardinal became manager of marketing services across Europe.

He was born in Warwickshire in 1947, and studied economics at Sheffield University. His career with Mobil began in 1971 as a planning analyst.

After moving into marketing, he became general manager of Prime Garages, a company responsible for Mobil's service stations.

CONTRACTS & TENDERS

LEGAL NOTICES

Rule 3.2 Notice of appointment of Administrative Receivers

BEARSTED TOOL SUPPLIES LIMITED

Registered number: 1066519. Trading name(s): Bearsted Tool Supplies Limited. Nature of business: Wholesale distributors of tools and fasteners. Trade classification: 15. Date of appointment of Administrative Receivers: 13 November 1992. Name of person appointing the Administrative Receivers: Lloyds Bank Plc.

Joint Administrative Receivers: N J Vaughan (office holder number 6339) J M Iredale (office holder number 2104), Cork Gully, P O Box 262, Orchard House, 10 Albion Place, Maidstone, Kent ME14 5DZ.

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS

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Registered Number: 2083524.
Trade classification: Other Wholesale
Names and addresses of Joint Administrative Receivers:

V. M. Barstow, Robson Rhodes, 186 City Road, London EC1V 2NU

L Jacob, Robson Rhodes, 186 City Road, London, EC1V 2NU

Office holder numbers: 005316 and 002121
Date of appointment: 18 November 1992
By whom appointed: Kellock Limited
Date of Charge: 24 February 1992
Nature of charge. Fixed and floating over all assets and undertakings
V M Barstow and L Jacob
Joint Administrative Receivers

IN THE MATTER OF
THE TIMBER WORKSHOP LIMITED
AND IN THE MATTER OF
THE INSOLVENCY ACT 1986

In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that I, Peter S. Dunn FCA, a Licensed Insolvency Practitioner of Latham Crossley & Davis, 7 Kenrick Place, London W1H 3FF, was appointed Liquidator of the above Company by the Creditors on 19th November 1992.
Dated this 19th November 1992
Peter S. Dunn FCA, Liquidator

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Sickert, the-odd-man-out

William Packer admires this artist, too French for the English and too English for the French

Walter Sickert is one of the great figures in British art in the modern period. His example directly influenced his contemporaries, *set the character of much of* our art school education well into the 1960s, and persists at a general level even today. Such work is well-mannered, well-observed, the paint rich and lively on the surface, close in tone, thoroughly *painterly* and professional. The subject-matter *is intimate and domestic*, scenes of the bedroom and the kitchen, theatre and music-hall, the local street, the corner cafe, the unassuming shop.

And among our best painters of that period, Sickert again must stand high on the list, perhaps even in first place. Yet in that very company – from Whistler, Sargent, Bomberg and Spencer to Bacon and Freud – we discover an odd paradox of British art at large. *For to be thus typical of us, it* seems, is necessarily to be an outsider of some sort, incomer or eccentric, typical only in peculiarity.

Born in Munich in 1860 of a Danish father and Anglo-Irish mother, as much at ease in French and German as in *English, he was as naturally* cosmopolitan as the American painter, Whistler, his first mentor. Through him he met Degas, who introduced him into the Paris art world of the 1880s. He was a constant traveller, staying abroad for years on end, notably at Dieppe and Venice. Ever independent, he soon distanced himself from Whistler, writing in 1888 that "Now that you have taught me to walk I am not crying to be carried." He also frequently wrote art criticism for newspapers and magazines. Was it the occasional wearing of the critic's hat that allowed him the critical detachment and practical independence that together characterised him until his death, in 1942?

Too English for the French, who remain largely ignorant of him, too French for the English to accommodate readily, Sickert is still something of an odd-man-out, *sui generis*. There have been small group and dealers' shows *galore, but London has seen no* full study since the Arts Council's centenary show at the Tate in 1960, and nothing major since the show of late work at the Hayward 11 years ago. This admirably comprehensive Royal Academy retrospective is thus all the more *welcome for being so long* over-due.

It is hung in broadly chronological sections, each covering the several interests of its

> *This Royal Academy retropsective is all the more welcome for being so long overdue*

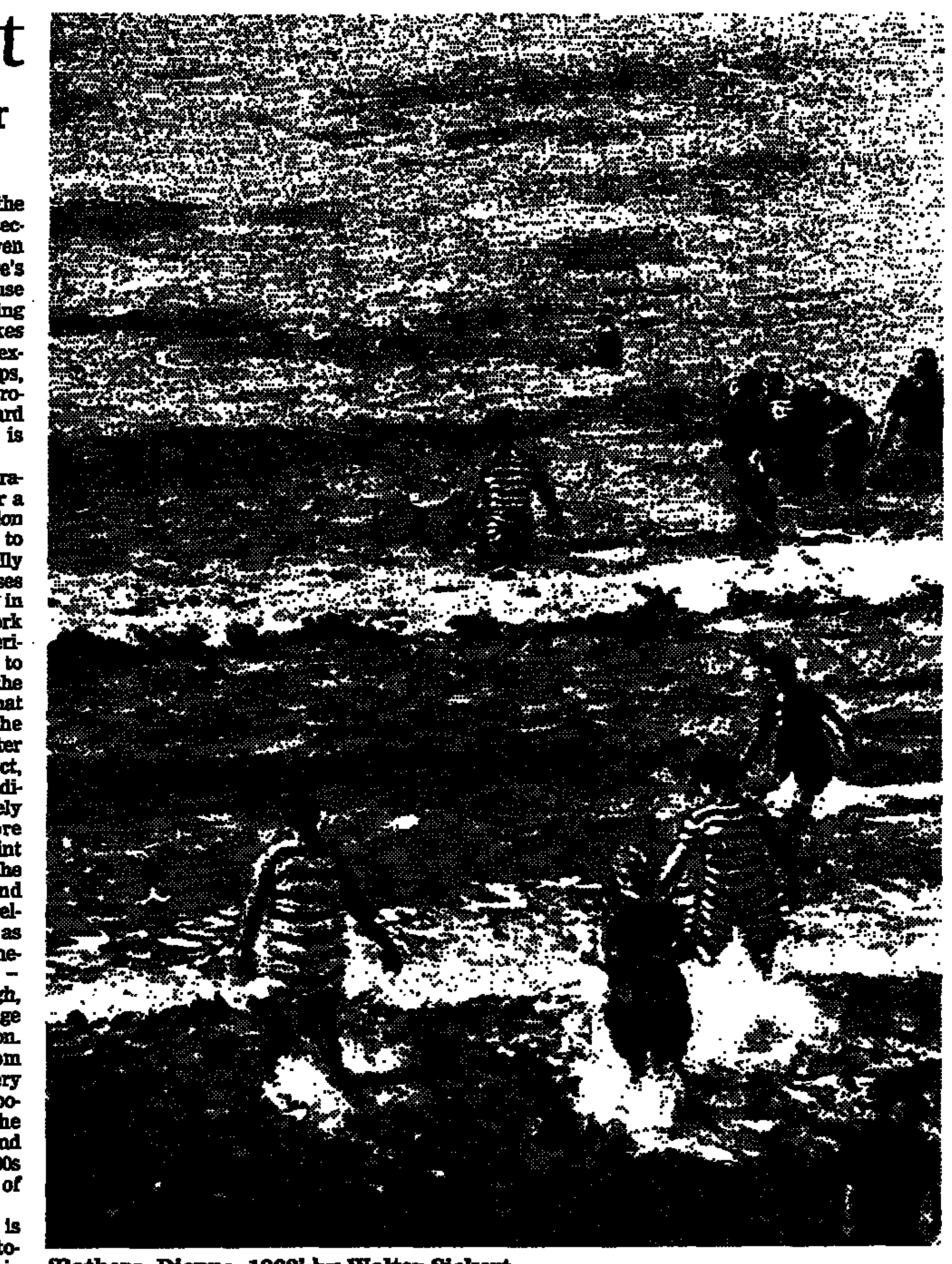
period. We follow his emergence from Whistler's shadow, the early influence of Degas, and the establishment of a personal and particular imagery of music-hall, artiste and audience. Then it is the street-scape of Dieppe, then Venice and *Saint Mark's. And now it is* Venice again, but in the persons of the women, old and young, who were his models. So it is that the nude, the intimate, domestic, unidealised nude, as of the brothels of Degas and Lautrec, enters his repertoire of subjects, soon made entirely *his own in* the dark and ambiguous interiors of Camden Town, redolent of violence and murder and the enduring myth of Sickert's involvement with Jack-the-Ripper.

So we move on, the palette lightening, to the interiors, the portraits, theatre paintings and figure groups of his middle and old age, so often based on press and theatre-publicity photographs, all set out clearly enough, though fussy captioning does jar occasionally. And it is surprising to read that the Italian inscription in the second, splendid painting of Gwen Ffrangcon-Davies as Marlowe's Queen Isabella – "The abuse heaped on the head of a King *makes me speechless, makes* me tremble" – remains unexplained. Unidentified perhaps, but it is yet singularly appropriate to the story of Edward II, and the painting itself is dated about 1936.

But nice matters of iconography and identity, or whether a *grey-green wall means London* or Venice, dear as they are to art-scholarship, are not really the substance of such exercises as this. Rather it is that in bringing so much of the work together of all kinds and periods, the emphasis returns to the work as work, and to the act of painting itself. And what emerges is not merely the refined and careful quest after aesthetic and technical effect, which we know from the individual works, but collectively something altogether more robust and radical. The paint lies lush on the surface, the brush-mark flickering and active, the paint positively relished. The drawing is only as precise as it needs to be, sometimes all but perfunctory – *and yet it always is enough*, the resolution of each image perfect even in its imprecision. To come to Sickert from Munch at the National Gallery – almost his exact contemporary – is to catch, by the immediacy of the figures and portraits of the 1890s and 1900s *especially, a decided hint of* expressionism in the air.

The other technical matter is Sickert's use of the photographic reference, which is open and declared in the later work. Here is no slavish copying – indeed no artist can properly use the photograph without an understanding of its inherent distortions and omissions. But, by supplying the image complete, it does free the artist from questions of composition and organisation, leaving him only to decide upon the general treatment of the surface and the actual handling of the paint. It *is thus hardly surprising* to find Sickert as free and openly experimental in these later works as ever he was before.

The question is only: how soon did he begin? It is known that he was using the post-card or photograph to supplement his own drawings and studies well before 1900. But already, *so it seems to me, from this* remarkable exhibition, a good many of his major paintings of Dieppe or Venice at the turn of the century, of l'Eglise Saint Jacques, or the horses and facade of Saint Mark's, were nothing less than comprehensive reworkings of the standard post-card view.



'Bathers, Dieppe, 1902' by Walter Sickert

Sickert: paintings - The Royal Academy, Piccadilly W1, until February 14, then to the Van Gogh Museum, Amsterdam: sponsored in London by the Republic National Bank of New York

Music in London

A Purcell weekend

The Purcell celebration on South Bank this last weekend bore the subtitle "The English Genius": three days of Purcell concerts – chamber music as well as choral odes and a sampling of the dramatic music – interspersed with talks and foyer events.

But this weekend was in fact the launching of a boldly conceived project of Purcell reclamation, phased in annual stages and timed to reach its finale on November 21 1995, the 300th anniversary of the composer's death. Purcell still *needs the reclamation that* anniversarial celebration tends to encourage: the favourite works – *Dido*, a handful of church works, the G minor Chaconne, the familiar songs – are always with us, but the rest is surprisingly apt to disappear from sight and earshot for periods of time.

The main focus of the annual South Bank Purcell weekends will be the "semi-operas": those hybrid entertainments filled with speech and dance as well as some of Purcell's most marvellous invention for voices and instruments. In spite of the recent *Fairy Queen* stagings that have enjoyed popularity and critical favour at international festivals, received opinion of these works – *Fairy Queen, King Arthur, The Indian Queen, Dioclesian* – remains that their musical treasures are padlocked into dramatic forms now unrevivable, and therefore quite irrecoverable. The challenge faced by the Purcell Tercentenary Trust committee (director, Nicholas Kenyon) is to tackle these works – *Fairy Queen* next year, *King Arthur* in 1994 – in ways that re-discover them whole.

On Sunday the Orchestra and Chorus of the Age of Enlightenment under Gustav Leonhardt offered in the Queen *Elizabeth Hall a* mouthwatering taster of the project in their concert version of the *Dioclesian* Masque. In this wonderfully vast structure a climactic formal celebration is turned by Purcell into a feast of varied, linked pleasures. The words are cardboard pastoral; the music – shot through with strokes of individual, unrepeatable, sometimes wholly inexplicable genius – goes beyond them; it cries out for some sort of stage realisation.

The remainder of Sunday's concert and most of Friday's were devoted to the choral odes, those formal celebrations of state occasions elevated by their music to statements of an English artistic ideal. How dire *are the verse-jingles, the* sycophantic images of "Come ye sons of Art"! And how irresistibly robust the melodic, harmonic and rhythmic energies infused by Purcell into its stuffed-shirt sequences! His art, which finds exhilaration in the texture of single words, evokes both immediate delights and long vistas; it has never seemed more modern, and more timeless.

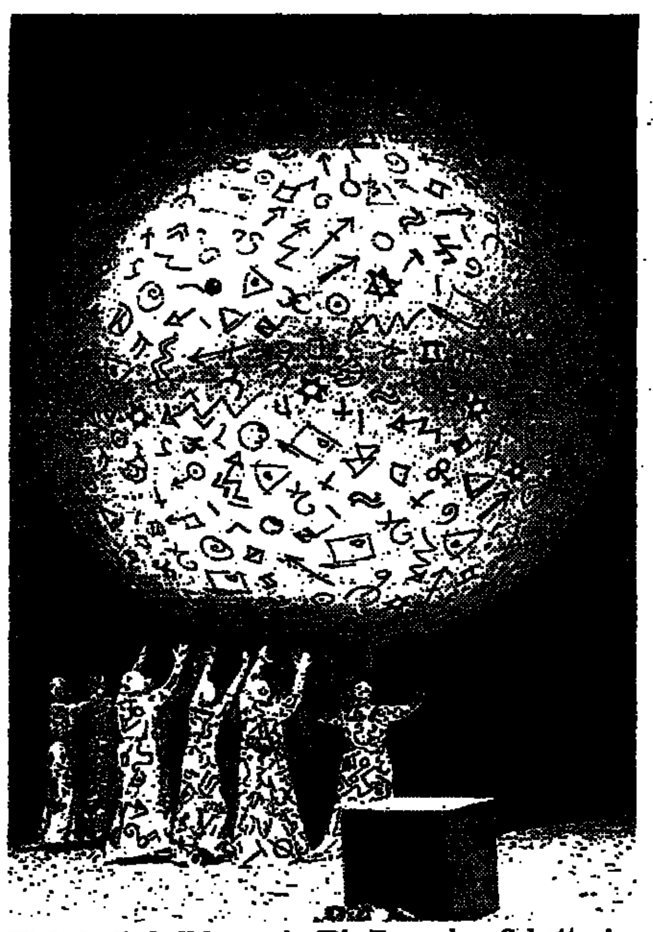
If I had a fault to find with Leonhardt's otherwise expertly balanced accounts of the Masque, "Come ye Sons of Art" and Friday's two hymns to St Cecilia, it was their overall lack of the generous gesture, the overflowing zest for phrasing and timing which marks the true Purcell interpreter. A touch of Beecham was wanted – in soul if not in sound-picture; a similar shortage of spirit was felt in the Purcell Quartet's neat and knowledgeable playing (on Saturday, in the Purcell Room) of the string sonatas.

Of the singers on all three evenings, *it* was the two countertenors, the nobly poetic Michael Chance and the spritely Christopher Robson, who did most to cherish words as well as vocal lines. I wish the Purcell Project very well; and pray that, amid all their other valuable explorations, its *exponents manage to re-discover* the "animal" pleasures of Purcell playing and singing.

Max Loppert

Opera in Switzerland/Andrew Clark

'Fedora' and 'Die Frau ohne Schatten'



Kiekobad's ball looms in 'Die Frau ohne Schatten'

Never have so few done so little for so much. One cannot begrudge singers' fees of SFr *20,000 (£9,200) a night if the* market is willing to pay. But it would help if they sang a decent evening's music. For the audiences who paid seat prices of SFr 250 (£115) to hear Giordano's *Fedora* in Zurich this month, Agnes Baltsa and José Carreras evidently gave value for money. *What* they sang was of no matter: their fans simply wanted to hear and acclaim them. But it was a pity they could find nothing better than Giordano's verismo shavings, which make a three-act opera out of a tenor aria and a few fragmented outpourings *for an ageing diva.*

If one discounts Santuzza, sung by as many mezzos as sopranos, Fedora is Baltsa's first soprano role. It is a curious choice, which her artfully-managed (to put it kindly) top register fails to justify. Baltsa's middle-voice has for some time *been hit-and-miss – some* notes are simply lost – while the bottom register is increasingly squally. Carreras, taking up position for "Amor ti vieta" as if he was rehearsing for the next Three Tenors Concert, commands less vocal colour since his illness. He also seems *to have lost sight of the dis*tinction between singing and shouting.

Their partnership, which caught fire ten years ago when Baltsa learned her Carmen from Ponnelle in Zurich, still cracks plenty of sparks: both have enormous stage presence, *reacting to each other with the* instinctive skill and generosity of a dedicated couple. Nevertheless, it is sad to see two stars living off their reputation, wasting their fading vocal talents on operatic trivia.

Time has been kinder to Grischa Asagaroff's production. *First staged in 1982, it* now returns at the head of a *Fedora* revival extending in coming months to Milan, Vienna, Bregenz and Berlin – all of which will be lucky to match Andrzej Majewski's handsome belle époque decor and Jan Skalicky's period cos*tumes. The Zurich ensemble*, conducted by Manfred Honeck, made the best of the cameo role-playing and orchestral colour-packaging which pad out this flimsy Sardou-based melodrama.

Switzerland's other large-scale operatic event this month *was Die Frau ohne Schatten* at Geneva: a noble venture which made awesome sense of the Strauss-Hofmannsthal fairy-tale and its vast orchestral tapestry. The production – conducted by Horst Stein, staged by the young German director Andreas Homoki and *designed by Wolfgang Guss*mann – steered clear of oriental or naturalistic associations, opting instead for a stark metaphysical setting. The decor consisted of two white walls, sprinkled with tiny hieroglyphics and converging on a black void. Within this permanent *single-level framework, the* Emperor's world was suggested by a random group of giant pink spear-shafts; a collection of outsize yellow boxes and rags signified the human world of Barak's home, while a suspended ball represented the spiritual domain of *Keikobad.*

None of this told a simple narrative. There was a whiff of bathos whenever Keikobad's ball loomed into view. The metaphor of the shadow was ignored, Barak was a simpleton. But the production's strengths far outweighed its *weaknesses. Homoki created* dramatic space from the music, drawing out an expressive visual language between the characters. The acting and blocking was refined and purposeful. Freed from visual conventions, the production struck the emotional and symbolic *core of the work.*

Stein's conducting, spacious but never slack, showed masterful grasp of Strauss's themes and crescendos. The cast was of uniform strength. Beneath his grubby overalls and cropped hair, Wolfgang Schöne's Barak combined the *all-suffering simplicity of a* Wozzeck with the vocal dignity of an Amfortas. As the Dyer's Wife, Deborah Polaski resembled a towering frump of a Hausfrau, but sang with warmth, power and freedom. Thomas Moser eloquently captured the tragic dimension in *the Emperor. Ellen Shade's* Empress looked beautiful and sang radiantly. Reinhild Runkel's white-haired, androgynous Nurse was plausibly malevolent.

The Drottningholm saga

There is nothing to beat arriving at Drottningholm. The boat from Stockholm takes a little less than an hour and brings the evening's audience to the summer palace of the Swedish royal family, where the court theatre has stood per*fectly preserved for 200 years.*

This programme at the Barbican on Saturday, one of the highlights of the "Tender is the North" festival, was an ambitious undertaking. The arrival by boat could hardly be replicated, but much else that makes this Swedish theatrical *treasure special was. The* entire stage structure had been rebuilt on the platform with wings and flies left open so that the audience could see the theatre's skeleton in action. Then we were given a history of the theatre and excerpts from performances there.

Built in 1766, closed and mothballed only 26 years later, Drottningholm slumbered until the 1920s when a theatre historian uncovered not only the building intact, but also original painted scenery and the complete 18th-century stage mechanism. All of this was *related at the Barbican as a* staged drama with the role of Queen Louisa Ulrika, the theatre's founder, being taken by the Swedish soprano Elisabeth Söderström. Nobody more fitting could possibly be found. Söderström made her own debut at Drottningholm in 1947 and recounted how the audiences used to be made up of American tourists, who wanted their photos taken with the singers afterwards.

Today the theatre attracts a different visitor. It has become a leading centre of period performance practice in music. A small authentic orchestra led off the second half with a delightfully quirky account of "Spring" from Vivaldi's *Four Seasons*. There were ballet *excerpts to music from Drott*ningholm's great period. Anita Soldh sang a gently dramatic aria from Haeffner's *Electra* and the mezzo Monica Groop gave a fruity account of Handel's "Where shall I fly?" from *Hercules.*

With this performance Söder*ström herself takes over as the* theatre's Artistic Director. It was an auspicious start, entertaining, informative, well chosen and presented. The London audience will have taken away a good idea of what a visit to Drottningholm means.

Richard Fairman

Sponsored by Scandic Crown Hotels UK. Drottningholm Court Theatre tour sponsored by Swedish Shell

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERTS

In tonight's recital at the *Concertgebouw, Midori plays* violin sonatas by Elgar, Beethoven, Schumann and Debussy. Thurs: Zagreb Philharmonic Orchestra plays works by Haydn, Rossini and Mendelssohn. Fri: Nikolaus Harnoncourt conducts Royal Concertgebouw Orchestra in *symphonies by Haydn and* Schubert. Sat afternoon: Eri Klas conducts Radio Philharmonic Orchestra in works by Gorecki, Roslavets, Rakhmaninov and Scriabin. Sun: Andras Schiff plays Schubert. Next Tues: Cyprien Katsaris piano recital. Next Wed: London Sinfonietta plays music by Turnage and other contemporary British composers. Dec 4, 6, 10: Solti conducts Bartók and Mahler. Dec 11: Julian Bream (6718 345)

OPERA

The final performances this season of Cosi fan tutte at *Muziektheater are on Thurs and* Sun afternoon, with a cast including Gilles Cachemaille, *Laurence Dale* and Anna Steiger. The next Netherlands Opera production is La bohème opening next Mon in a new staging by Pierre Audi, conducted by Hartmut Haenchen (6255 455)

BRUSSELS

Walloon Chamber Orchestra gives a concert tonight at Palais des Beaux Arts featuring symphonies and concertos by Bach, Devienne and Mozart. Fri: Ronald Zollman conducts Belgian National Orchestra in works by Berio, Rodrigo and Ravel. Next Mon: Ivan Moravec piano recital. *Next Tues: James Galway.* Next Fri: José van Dam sings Mozart (507 8200)

CHICAGO

CHICAGO SYMPHONY

This week's concerts (tomorrow, Thurs, Fri and Sat) mark the start *of a four-week Pierre Boulez* residency at Orchestra Hall, with a special focus on Stravinsky and Bartók. The first programme includes Bartók's Concerto for Orchestra, Stravinsky's Four Studies and Elliott Carter's Three Occasions for Orchestra. Next week: Leon Fleisher plays Ravel's Left Hand Concerto. Dec 10, 11, 12, 15: Boulez conducts complete Firebird music and Bartók's Four Pieces. Dec 17, *18, 19: all-Stravinsky programme* (435 6666)

CHICAGO LYRIC OPERA

The last performance in the *current run of* William Bolcom's new opera McTeague can be seen tonight at Civic Opera *House. Fri, next Tues, Thurs and* Sat: Pelléas et Mélisande, starring Teresa Stratas. Sat: revival of Un ballo in maschera, with Sharon Sweet, Kristian Johansson and Vladimir Chernov (332 2244)

MUNICH

● Renato Bruson gives a song recital tonight at Prinzregententheater (221316)

● Beaux Arts Trio plays piano trios by Haydn, Beethoven and Ravel tonight at Herkulessaal der Residenz. In *tomorrow's* concert, Joanna McGregor plays Ravel's Left Hand Concerto with Munich Symphony Orchestra conducted by Carl Davis. Fri: Semyon Bychkov conducts Bavarian Radio Symphony *Orchestra in works by Haydn*, Shostakovich and Peter Ruzicka. Sat: Janos Starker and Rudolf Buchbinder play cello sonatas by Brahms and Debussy (299901)

● Wagner's Die Feen is revived at Gärtnerplatztheater on Sun, with four further performances in December. The repertory also includes Hansel and Gretel, Khovanshchina and Prokofiev's ballet Romeo and Juliet (201 6767)

● *Next Wed at Gasteig: Claudio* Abbado conducts Berlin Philharmonic Orchestra (48098 614)

PARIS

DANCE

Opéra Ballet performs Bourmeister staging of Swan Lake on Thurs at the Bastille, *with three further performances* next week (4001 1616). Compagnie Dominique Bagouet from Montpellier presents a double bill at Palais Garnier on Thurs, Fri and Sat, including Trisha Brown's One Story as in Falling. Dec 11: first night of Opéra Ballet production of three Jerome Robbins works (4017 3535). Spanish dance company Danat can be seen at Théâtre de la Ville tonight, tomorrow, Fri and Sat (4274 2277)

OPERA

Patrick Fournillier conducts Claude d'Anna's Saint-Etienne Massenet Festival production of Esclarmonde at Opéra Comique, daily till Sat (4286 8883). Julius Rudel conducts a revival of Jorge Lavelli's staging of Gounod's Faust, opening at *Bastille on Fri (repeated next* Mon, Dec 2, 4, 14, 17, 21). The cast includes Gösta Winbergh, Paata Burchuladze, Kallen Esperian and Colette Alliot-Lugaz. Dec 12: Messiaen's Saint François d'Assise (4001 1616). A new production of Lully's Armide opens at Théâtre des Champs-Elysées next *Mon*, conducted by Philippe Herreweghe and staged by Patrice Caurier and Moshe *Leiser. Repeated Dec 2, 4, 6, 8,* 9 (4720 3637). Peter Brook's Debussy adaptation, Impressions de Pelléas, runs daily except *Sun and Mon* till Jan 23 at Théâtre des Bouffes du Nord (4607 3450)

CONCERTS

● Orchestral concerts: Carlo Maria Giulini conducts Orchestre de Paris in works by Mozart and Dvořák tomorrow, Thurs and Fri at Salle Pleyel (4563 0796). Charles Dutoit conducts rarities by Milhaud and Honegger on Thurs at Salle Olivier Messiaen, *Radio France*. Next Mon: opening of week-long Xenakis festival (4230 2308). Ensemble InterContemporain plays music by Stockhausen, Holliger and Ligeti on Fri at Centre Pompidou (4260 9427). Next Mon at Châtelet: Marek Janowski conducts Orchestre Philharmonique de *Radio France in an all-Schumann* programme (4028 2840)

● Recitals/chamber music: Melos Quartet continues its Beethoven cycle at the Châtelet Auditorium tonight, tomorrow and Thurs (4028 2840). Sun morning at Théâtre des Champs-Elysées: Jean-Philippe *Collard and Michel Béroff give* a recital for two pianos. Next Tues: Jean-Pierre Ramphal. Dec 6: Christian Zacharias. Dec 13: Josef Suk (4720 3637)

JAZZ/CABARET

Jazz Club Lionel Hampton Texan blues singer and guitarist Johnny Copeland is in residence daily except Sun *till Dec 5. Dec 7-19:* Sandra Reaves-Phillips and All Star Jazz Band. Music from 22.30 to 02.00 (Hôtel Meridien Paris *Etoile, 81 Boulevard Gouvion* St Cyr, tel 4068 3042)

WASHINGTON

● This week sees the final performances of Washington Opera productions of The Tsar's Bride (tonight, Fri and Sun afternoon) and Otello (Sat). The next production is Don Pasquale, opening Dec 26 (467 4600)

● Maureen McGovern heads the bill in National Symphony Orchestra Pops concerts on Fri and Sat. Next Mon: American *Chamber Orchestra* plays Rossini, Beethoven and Mendelssohn. Dec 3, 4, 5: Mstislav Rostropovich conducts Tchaikovsky and Sibelius. Dec 4: Mitsuko Uchida piano recital (467 4600)

ZURICH

Opernhaus Ralf Weikert conducts Cesare Lievi's production of Capriccio tonight, with a cast including Gabriela Lechner and Robert Holl. Thurs and Sat: Eliahu Inbal conducts La forza del destino, with Mara Zampieri. Fri: Rigoletto. Sun: Carmen with *Marjana Lipovsek and Neil* Shicoff (262 0909)

Tonhalle Karl Anton Rickenbacher conducts Tonhalle Orchestra tomorrow in music by Schumann and Bruckner. Thurs: Tokyo String Quartet. Fri: Rickenbacher conducts Messiaen and Bruckner. The following two *weeks of Tonhalle Orchestra* concerts are conducted by David Zinman (206 3434). Sat: Vadim Repin violin recital (261 1600). *Sun: Zurich Chamber Orchestra* plays Beethoven, Bartók and Mozart (252 1737)

Schauspielhaus Tonight's performance is Botho Strauss' Kalldewey Farce. The repertory also includes Dürrenmatt's The Physicists and Shakespeare's A Midsummer Night's Dream (221 2283)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) *FT Business Weekly – global* business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
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Tuesday November 24 1992

The future of the ERM

WITH THE realignments of the Spanish peseta and the Portuguese escudo, the ERM has become still more clearly a two-tier exchange rate system. The *possibility that most* member countries of the European Community would move smoothly from a hard ERM into European monetary union (Emu) itself has now disappeared. But there is a more pressing question: whether *the ERM itself will survive and, if* so, in what form.

In the light of hindsight, the EC's determination to sail the good ship ERM on a direct course to Emu – despite the gale created by German unification – was a serious error. It might have made sense if, as some hoped before the inter-governmental conferences, the voyage to Emu could be completed within one or two years. But once it was evident that the Germans would insist on a character-forming long haul, the course needed to be changed.

The Spanish peseta, the pound sterling and the Portuguese escudo had all joined the ERM during the 5¾ years before September's devaluation of the lira; the Finnish markka and the Swedish krona were linked to the Ecu; and there was just one, technical realignment, when the lira was put into the narrow bands. Now, however, the markka, the lira, the pound and the krona have been forced to float; the peseta and the escudo have been realigned; the French franc, strongest of the major currencies after the D-Mark, has been subjected to great pressure; and even stalwarts such as the Irish punt and the Danish krone are in the firing line.

Vicious spiral

With changes this frequent, a vicious spiral sets in. The more currencies come under pressure, the more governments insist they will never realign and the more credibility they lose when they do. The greater the gains won by the speculators, the more willing they are to try again. The larger the devaluations by competitors, the more painful it is to resist realignment. And the more painful it is *to resist, the less credible such* resistance becomes. An adjustable peg exchange rate system that suffers from such frequent realignments is in grave danger of total collapse.

The French finance ministry says that the weekend realignment means that "our difficulties are behind us". But Ireland sends 30 per cent of its exports to the UK, while the punt has gained 10.9 per cent against the pound since before Black Wednesday and short-term real interest rates are about 12 per cent. Even the French franc has suffered a trade weighted appreciation of 2.3 per cent since early September, while short-term real interest rates are 7 per cent.

The danger is that currencies will be picked off one after the other. This may not matter too much if depreciation is imposed only on minor currencies. If the franc were to retain its position, there would be more to European fixed exchange rates than a German Gulliver among the Lilliputians. Should the French franc be forced to realign, however, European wide monetary stability would have to be reconstructed, almost from scratch.

Course of action

The question is, what should be done now? First, thinking about *whether the EC will get to Emu*, what Emu might look like and who might get there seems futile in the current tempest.

Second, it seems equally pointless to maintain currencies at levels that investors judge overvalued, especially when monetary policy is already too tight in virtually every ERM member country except, arguably, Germany. Countries suffering from overly tight monetary policy and inadequate growth need real depreciations.

Finally, countries that are convinced they can stick with Germany until the Bundesbank starts to ease need to do everything they can to reinforce their commitment. Moving to still narrower bands is the obvious route.

If the ERM is to survive as more than just a managed float around a core of Germany and a few small countries, either Germany must readjust its monetary policies soon, or other currencies must be credibly reinforced at their current parities, or parities must be *realigned to convincingly defensible* levels. Above all, if German macroeconomic policy continues to thwart growth at the European level, competitive devaluation is the inevitable outcome.

Mr Clinton's medium term

ONE ADVANTAGE of the US system of economic governance is that the executive has little discretionary power to fiddle with the levers of macroeconomic policy. Not that the President-elect should be tempted to indulge in the transitory pleasures of monetary and fiscal measures for short-term gratification. Mr Bill Clinton was elected on promises to reverse America's relative economic decline by using effective government policies to foster *sustainable growth in the medium* term. His presidency will be judged on whether he has begun to do so.

The intellectual pedigree of Mr Clinton's economics transition team derives from policy research aimed at medium-term economic fitness, rather than short-term macroeconomic gymnastics. After a hard day's memo-writing, they will find much of interest in the OECD's latest report on the state of the US economy, which makes the need to boost medium-term productivity growth its theme.

The OECD's latest short-term forecast, for what it is worth, suggests a sluggish recovery has already begun. Yet this slow growth is important not for what it implies about the US economy today – that it is burdened by the heavy debts mistakenly accumulated in the past – but because it makes it harder to sell tough medium-term policies which will deliver rising living standards in the future.

Steady decline

The OECD spells out, in chilling detail, why Mr Clinton's promise of change fell on listening ears. Disposable incomes per head rose by a sluggish 1.5 per cent a year, on average, between 1979 and 1989 in constant prices. For people in work, real hourly wages did not rise at all in the 1980s, while the real wages of production workers fell by an average 0.7 per cent a year, partly because productivity growth was sluggish and partly because of the growing gap between the total wage bill employers face and the pay workers receive once health-care contributions are deducted.

Health-care reform offers one way of raising real living standards among the working population. The OECD tracks, in detail, the astonishing rise in resources absorbed by America's greedy and ineffective health-care industry. While politely avoiding direct prescription, the OECD advises the US to ditch its decentralised system and shift to European-style rationing in which costs and salaries are controlled centrally.

Yet faster productivity growth is the only route to rising living standards for the whole population. The problem for Mr Clinton is that investment in human capital through education will take many more years to work than he has at his disposal. Mr Bush's attempt to be the education president, however laudable in theory and vacuous in practice, could not have borne a harvestable fruit in one or even two terms of office.

Investment boost

A rise in private investment is more likely to show medium-term results. The OECD rightly argues that if the US is to lift itself off the bottom of the investment league, it must also raise national savings as a percentage of gross domestic product by sharpening tax incentives to private savings and reducing the federal government deficit.

The OECD's report states clearly that the US needs higher taxes. The US federal, state and local governments together spend less as a percentage of national output than most OECD countries; most federal programmes, with the exception of health, have already been squeezed hard; the US government has lower taxes than any OECD country except Turkey; and indirect taxes are particularly low by international standards – a 5 per cent federal value-added tax would eliminate two thirds of the structural deficit.

This is the crux of the transition team's dilemma. Mr Clinton must close the deficit but higher taxes now, while recovery is so sluggish, look counter to the economy's short-term need for growth. One option is to legislate now for tax change in the future. Announcing now a VAT that will be effective in a year's time would encourage consumers to bring consumption forward while reducing long-term interest rates. Combined with tax *incentives for investment*, Mr Clinton would have achieved what he needs: a growth package with medium-term benefits.

EC support for stricken steelmakers will depend on industry restructuring, say Andrew Hill and Andrew Baxter

This could be the last time

The European steel industry – still one of the European Community's most powerful industrial lobbies – has been given one more chance to flex its political muscle.

In Brussels today, EC industry ministers will discuss far-reaching European Commission plans to provide steelmakers with political, financial and commercial support under the Treaty of Paris, foundation-stone of the modern Community and protector of European coal and steel industries since 1951.

The Commission proposals, published last week, are the initial response to an appeal last month from Europe's 15 largest steelmakers suffering from overcapacity, non-EC competition and the economic downturn.

The prospect of renewed intervention has arisen despite the fact that two years ago, most European steelmakers seemed to be back on the road to profitability and the Commission was considering calls for immediate abolition of the treaty.

According to Sir Leon Brittan, EC competition commissioner who championed the calls for abolition, the treaty had been responsible for holding back the steel industry in the 1980s. He was particularly critical of the lingering effects of the 1980 Davignon Plan, named after the then industry commissioner. The plan was put in place under treaty rules which allowed the Commission to endorse production quotas, protectionist trade measures and large government subsidies to cope with a "manifest crisis" in the industry.

In March 1990, however, an optimistic Commission report referred to the "irreversible" free-market attitude of the then-thriving industry. The treaty, Sir Leon believed, had outlived its usefulness.

But instead of abolition, the Commission opted for gradual revision of the Treaty of Paris until it expires in 2002. Now, faced with a crippling downturn, steelmakers have been quick to call for assistance, prompting accusations that both industry and the Community are hankering after the protective measures of the old days. Some member states, notably Germany, fear the steel plan may be the first step towards a new Davignon Plan.

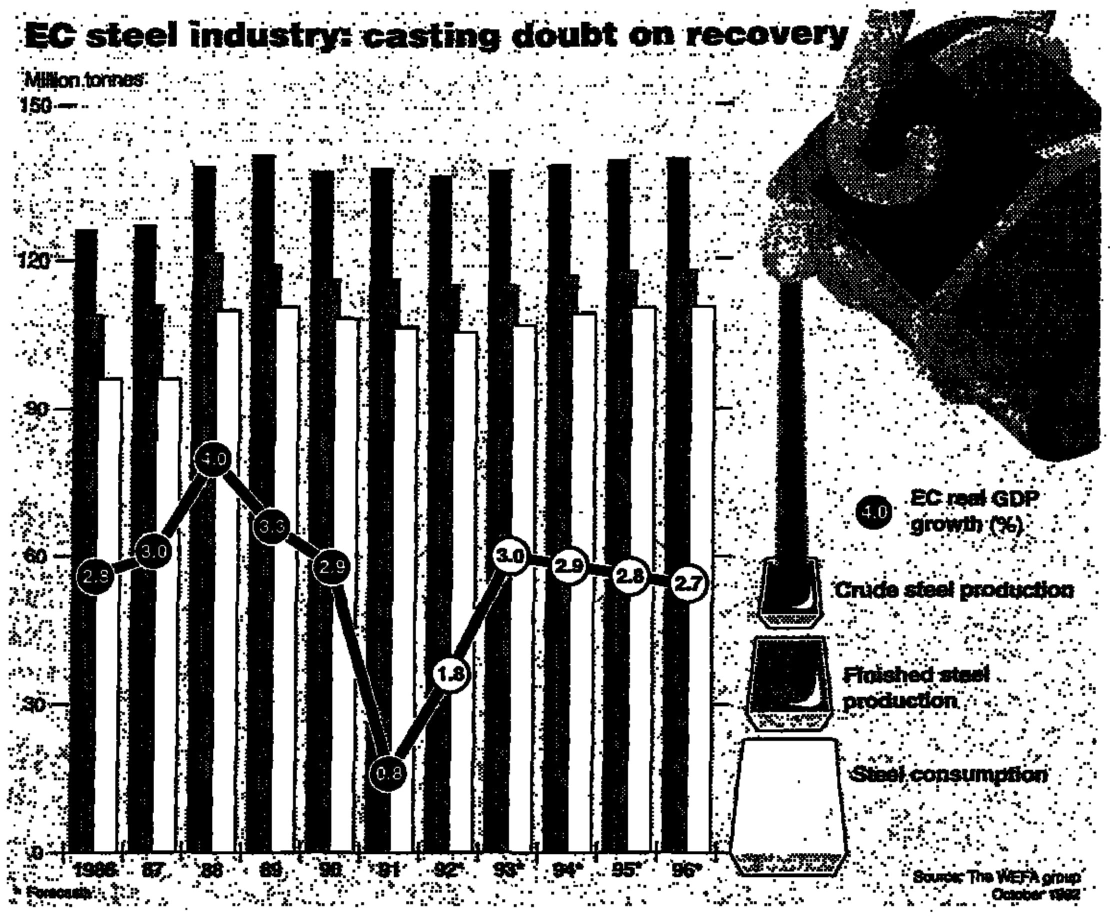
But a closer look suggests the current plan could be the last time steel will get the favoured treatment given to so-called strategic European industries.

Under the plan, steelmakers could benefit from up to Ecu450m (£368m) of central funding to cover redundancy and restructuring costs, and perhaps the same amount again if member states agree to match the Brussels hand-out. A former senior Commission official will prepare a special report to guide the industry on essential capacity cuts, and measures to protect European steelmakers against cheap non-EC imports will be beefed up.

The Commission response is based on two industry claims which have been readily accepted in Brussels. First, strategic or not, the European steel industry is in crisis. Second, while the Treaty of Paris exists, it still provides a framework for coping with such crises.

Commissioners on both the free-market and interventionist wings of the EC executive agree that the situation is grave. As one Commission official put it: "Even the most liberal companies, which always complain about state aid, have told me that they welcome the industry initiative, because it is that – or catastrophe."

Last week, for example, British Steel passed its interim dividend and said that the level of its final dividend would depend on improved trading prospects. That in turn will depend on a rise in prices. "In the absence of a strong increase in demand, price rises in the EC are likely to be achieved only through a cutback in output and capacity involving restructuring, coupled with anti-dumping measures," the company says.



Steel prices in Europe have declined by about 30 per cent in the past three years, as the UK and, later, the continental markets, saw customers reduce demand.

On top of this, the threat of trade sanctions by the US, which could be announced on Friday and which were prompted by allegations of *dumping of European steel*, is encouraging European producers to divert exports to neighbouring EC markets. At the same time, the alleged dumping of steel in the EC by east European producers has contributed to the price falls.

With just over 50 per cent of the European steel industry still state-owned, the industry has found it hard to rationalise and reduce overcapacity. This overcapacity is estimated at about 30m tonnes of annual output, based on the full operation of all Europe's steel plant, compared with forecast production this year of 136m tonnes.

Not before time, the industry is now cutting production, with reductions of about 2.5m-3m tonnes announced across Europe in the fourth quarter, compared with a year ago. But further production cuts will probably be necessary next year before the market can recover. Mr Brian Moffat, British Steel chief executive, sees demand in the UK – first into the recession – stabilising next year as the continental market continues to fall.

In the light of the industry's problems even the strongest advocates of free trade within the Commission have been sympathetic to calls to assist the industry. They believe there will be a trade-off between their support and vital restructuring.

Sir Leon Brittan, for example, is a *proponent of restructuring and* capacity cuts, provided they are carried out in a way which does not encourage anti-competitive collusion between steel producers.

In defending their attempts to support the steelmakers, Brussels officials also point out that:

- The situation is not as bad as in the early 1980s. This time, the steel industry has not sought to activate the "manifest crisis" clause of the Treaty of Paris, although it says it might still do so, if the situation deteriorates further.
- The cash element is modest, compared with industry estimates of Ecu4bn for a three-to-four-year programme of restructuring. In spite of last week's claim by Mr Martin Bangemann, the industry commissioner, that up to Ecu900m might be available, new EC money in the plan amounts to just Ecu240m. That is supposed to help cover the cost of up to 50,000 redundancies estimated by Eurofer, the European industry federation, over the next three to four years. Member states are not obliged to match those contributions. But under treaty rules, if an individual government decides to give nothing to its industry, that industry will receive nothing from the Commission.

So if the plan is conservative, why are some member states still worried about it?

More market-oriented governments – broadly speaking, the *northern EC countries – fear that* the plan will be applied to a far from level playing field. Some national industries have already been rationalised, or even privatised, while others still benefit from hefty subsidies. "It could help those people who didn't take commercially prudent decisions, and penalise those who rationalised earlier," says one British official.

Those same member states are also anxious that approval of the plan might trigger a state aid free-for-all for other national industries. As if to underline the point, industry ministers are likely to spend most of today's meeting talking about Spain's controversial Pta558bn (£3.22bn) plan to restructure its steel industry, which aims to safeguard steelmaking in the volatile Basque country.

Concerns that the Spanish steel plan might be blocked brought thousands of Spanish steel workers onto the streets of Madrid last month. The Commission, in an indication of the political sensitivity of the case, issued a double-edged statement a month ago welcoming the "courageous and constructive" approach of the Spanish government, but suggesting that capacity or state aid would have to be cut for the plan to be accepted.

In fact, ministers do not have to take a decision today on either the steel restructuring plan, or the Spanish state aid case. Both take the form of "communications" from the Commission rather than formal proposals. But ministers will have to decide how strong a political signal to send about the importance of the steel industry, at a time when other sectors of the depressed EC economy are also suffering.

This is a political conundrum which some ministers would probably rather not tackle. The German government, for example, has to reconcile its firm line against subsidies with growing complaints from its industry that steelmakers in other countries – Spain, Italy and France particularly – are benefiting from state aid and not cutting capacity. Italy, in turn, would not want to be too tough on the Spanish while it is in the throes of discussions with the Commission about restructuring plans for its own state-owned industry.

As one German official puts it: on the one hand, "if [the Spanish industry] gets the aid on offer then there are several countries prepared to follow up. Once you get started there's no barrier for the others"; on the other hand, "you can't just *sit there and do nothing*".

Most steel producers, however, have already recognised that steel will never be given the same high strategic priority as in the past. Instead, the industry talks in terms of the "responsibility" of the Commission and member states to provide help, while the coal and steel treaty is still in force. Brussels officials make clear that they expect an equal or greater effort from the industry itself.

The success of any "Son of Davignon" plan will thus depend very heavily on the will of individual producers to rationalise through restructuring, and hence improve the industry's financial health. And the state-owned companies will have to play their part without help from subsidies that could jeopardise the position of the private sector.

The problem, says Mr Moffat of British Steel, is that "people don't want to face the fact that restructuring might apply to them". But, with the overcapacity in the EC steel industry, "nobody can think it *won't apply*".

As Mr Edward Hadas, an analyst at Morgan Stanley, the investment bank, wrote recently: "I do not believe that steel will ever again receive the sort of attention once naturally accorded it in western Europe."

At the same time as sanctioning the aid plan last week, the Commission quietly approved recommendations to wind down the Ecu750m financial reserves of the Treaty of Paris, or absorb them into other EC funds by 2002. For those steel producers who may still be reluctant to let go of the EC's apron strings it is a small but telling reminder of what is to come.

Joe Rogaly

Charred, not changed

Before the great fire of Windsor the talk of London and elsewhere was that Britain's royal family was on the skids. If that was so last week, then it still is today, despite the flames that dominated the weekend news. If the prospect last Thursday was that Prince Charles would never become king, it is the same this Tuesday morning. A charred national monument will make no difference, however glorious the original may have been. Hampton Court was gutted by fire six years ago; since then, coincidentally, its occasional inhabitants have been the victims of incessant crescendos of public disrespect.

Hold on. This is not a prediction that a revolution is around the corner. The establishment of a federal republic of Britain would be a remarkable constitutional advance, but the odds in favour of any such development are slight. Yet they are not zero. None of us really knows what the heir apparent has on his mind. Gossip suggests that he is fed up, that he might try to have the crown passed over his head to his son's. If he does so the whole institution will probably crumble. Only a brave or unintentionally destructive *dauphin* would risk that.

The dramatic flames of the weekend have put such speculation on hold, at least for a day or two. It is natural to express sympathy for the Queen, as seen on TV bravely surveying the conflagration in her raincoat. No one who fails to make the appropriate noises will be regarded as a gentleman. Certainly Her Majesty is held in greater public esteem than any other member *of her family*. While she reigns, the institution is secure. What may come after her is less predictable. This is not because the monarchy is costly, although if it was privatised and managed as a tourist attraction, as it should be, a strong finance director would doubtless find much fat to trim. You would then be well advised to take shares in Royal Attractions plc. It could be a far better bet than Euro Disney.

The fact that the Queen pays no tax, even on her private investment portfolio, *does* rankle with a great many people. Some Labour MPs, notably those on the public accounts committee, miss no chance of reminding us of her tax-free status. Perhaps that is why we have been reading stories about the prime minister negotiating a new fiscal concordat with the palace. Monarchists must hope that he is successful. He should be. There is no case for the Queen withholding the tax she *should* pay on her considerable personal fortune. This is a simple problem of equity, which in theory can easily be resolved.

The cry of 'let the Queen pay' is not rational, although strongly felt. It means 'let her pay taxes'

It is harder to prescribe an antidote for the de-mystifying effect of our national obsession with the private lives, or the imagined private lives, of the supposedly dignified element of the constitution. It is not the Queen's fault that the private behaviour of some members of her family is similar to that of many of her subjects. The House of Windsor is not the product of a long line of saints; its forebears were human, and therefore imperfect. The damage that has recently been done to its reputation is not the consequence of any change in royal behaviour, but rather the result of a change in the level of intrusive salacity the public will accept from – indeed demand of – the media that serves it.

If none of these concerns existed there would be near-unanimous support for the decision, affirmed by Mr Peter Brooke yesterday, to finance the restoration of Windsor Castle from public funds. The heritage secretary has logic on his side. The building belongs to us taxpayers. We have maintained them since 1831. The monarchy is irrelevant to this argument. Even if we lived in a republic this valued historic monument would be maintained by the public purse.

As it is, provided we turn up at the right time we may see most parts of it, including some of the burned-out area – although you may need an invitation to a state *banquet to get into the* grander state rooms. Those who argue that Windsor Castle should be subject to normal planning permission and fire regulations have a point. But that is a red herring. The cry of "let the Queen pay" is not rational, although strongly felt. It means "let the Queen pay taxes".

There is no general cry for what is really needed, which is the disestablishment of the monarchy. British democracy would be less stultified if it was disconnected from the process of government. The Crown sits at the apex of our unwritten constitution. It puts the lid on the glass jar inside which sit the suffocating elements of a Britain that should be long past: an over-powerful executive (thankfully rather hamstrung for the moment); a tradition of secrecy in the name of the Crown; a tendency for ministers to make arbitrary decisions; an obsession with maintaining the unitary structure of the United Kingdom. Every milligram of ash at Windsor Castle is a small national tragedy; a bonfire of the constitutional nonsense that rests on the House of Windsor would be a huge national triumph.

British tourism and the faulty towers of policy

The industry which employs more than any other in the UK is also one of the most neglected, argues Nicholas Lander

A recent BBC Television South West news programme was full of economic gloom: the region's workforce was among the lowest-paid in the country; a local Conservative MP was seen leaving the Department of Trade and Industry in London, having requested that the area be granted special economic assistance, and there was film of a march in support of out-of-work miners.

The programme then struck a more optimistic note. Two local companies, which were surviving the recession and continuing to employ 40 permanent staff, had been voted the best in their field by an annual national guide. A BBC reporter and crew were sent to report.

Instead of coming to praise these two businesses, the report tried to bury them. Taking the word of three people in the street – two pensioners and a young man – the reporter attacked the managers for charging prices which she described as "vaguely obscene" in a recession and offering customers the opportunity for self-indulgence when others were losing their homes.

The two managers, it seems, had chosen the wrong field of activity as far as many in the UK are concerned. They were in tourism: one a hotel, the other a restaurant. They had compounded their initial mistake by being successful.

In other European countries and the US, neither would be seen in this light. Instead, they would be praised for creating jobs, maintaining standards of excellence and, in the US in particular, for converting the occasional visitor into a regular customer. The UK's baffling attitude towards what Americans call the "hospitality industry" could be one reason for the BBC reporter's criticism. But now, as unemployment seems to be rising inexorably, is it not time to support an industry that is creating jobs, boosting local communities and projecting a positive image of Britain?

Tourism is now the UK's biggest employer. There are 1.6m involved, including the self-employed – more than in the National Health Service or the construction industry since contraction took hold in the past two years. During the 1980s the industry created an average of 44,000 jobs a year. Worldwide tourist spending, including tourism in the UK, totalled £26bn last year and the future looks promising. By 2000 tourism is likely to be the world's largest industry, according to the National Economic Development Council's report, UK Tourism Competing for Growth.

Baffling attitude: Peter Brooke blamed the weather for the dearth of foreigner visitors to British tourist sights last summer

Yet who speaks for this industry at the highest level of government? As Mr Michael Heseltine, the president of the Board of Trade, presides over the disappearance of more than 30,000 mining jobs, who in the cabinet is highlighting tourism's creation of a like number of job opportunities?.

Sadly no one. Since the Conservatives came to power in 1979 the tourism portfolio has fallen into the hands of many different secretaries of state and ministers (including two in the House of Lords) in three different departments – Trade, Employment and now National Heritage. The tourism industry would feel less aggrieved and neglected if it could find at least one enthusiastic supporter at cabinet level.

Mr David Mellor, the former heritage secretary, failed to provide the same support for tourism that he offered opera or football. The chancellor's Autumn Statement provided only a small increase in the grant to the British Tourist Authority which very effectively waves the flag overseas for Britain's 18m visitors. The spending plan, however, cut the grant to the English Tourist Board which looks after tourists in the UK.

Mellor's successor, Mr Peter Brooke, in his keynote speech to the Tory party conference, blamed most of the industry's problems over the summer on the weather, choosing to ignore an overvalued pound which not only put many foreigners off but also sent many Britons scurrying abroad.

The one man in the department who seems to recognise the importance of the industry is Mr Brooke's deputy, Mr Robert Key, but he does not have a seat in the cabinet. Mr Key has recommended that all government policies including transport and training, take tourism into account because of its importance to the economy.

With unemployment rising inexorably, is it not time to support an industry that is creating jobs?

There is undoubtedly a structural problem for the government in coming to grips with tourism. The industry is highly fragmented, comprising many small companies, often family run and therefore unlike other big employers. Nor is its workforce heavily unionised, giving it a relatively low profile despite the industry's size.

Tourism is also partly to blame for its own lack of representation, as it has long failed to speak with a united voice.

But now that the overriding concern of government is with jobs and growth, these matters must be overcome. One of tourism's strengths as a job creator is that it has knock-on effects throughout the local community. When Gidleigh Park – the prize winning hotel in Chagford, Devon, which was subject to the BBC report – is busy, it creates a further 11 part-time jobs, more work for local businesses and extra demand for village shops. (It suffered a 25 per cent drop in turnover this year as a result of the strength of sterling, but expects to do better now that the pound has weakened.)

The Carved Angel, the prize-winning restaurant, keeps numerous Devon farmers and suppliers busy. But more significantly, visitors drawn to Dartmouth by the restaurant also go to other restaurants in the town during their stay.

The other advantage of tourism is that, while the creation of jobs in manufacturing industries depends on winning back export markets – and it is unlikely that competitors in Europe, the US and Japan will just sit back and watch – jobs in tourism could materialise more quickly, given the right encouragement.

Establishing a ministry for tourism would be a start. That would not only encourage those already in the industry, but could attract new investment and, with it, create new jobs. It would also show the government's determination to no longer treat tourism as a second-class industry.

Britain could also follow the example set by the Hungarian government which has re-opened – with the aid of foreign capital – the famous Gundel's restaurant in the heart of Budapest as a showcase for its market economy. Indeed, the UK Department of the Environment owns the site for what could be the capital's most stunning restaurant on the Serpentine in Hyde Park. However, the restaurant will close in December with the loss of 60 jobs because antiquated park bye-laws forbid taxis dropping off customers in the evening; it has had to survive on daytime trade.

It is hard to imagine this happening in New York, Paris or Rome.. Sadly, it is yet another wasted employment opportunity. British tourism, however, could provide many others if only the government gave it the leadership and encouragement to do so.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Tax relief for care of elderly

From Ms Caroline Montagu.

Sir, The points in your article "The wealth cascade runs dry" (November 21) are chillingly clear to many of the now middle aged baby-boomers. The parents of this group, often both still alive and wishing to continue living at home together, can easily wipe out their own assets to support themselves. In many cases, where elderly couples try to continue to live in their own house, income topped up by capital injections does not begin to meet their nursing or caring costs.

This shortfall must often be met by subventions from their children at a time when they are still financially supporting their own offspring. These contributions can be very high and sudden, and, except for the very fortunate, usually have to come from income after tax. For members of this group whose parents have escalating care costs the idea of the "wealth cascade" has long been consigned to the dustbin.

Given the current policy of Care in the Community, would it not be appropriate for the government to consider a means whereby those children financially supporting their elderly parents could obtain some income tax relief?

Caroline Montagu,
69 Albert Bridge Road,
London SW11 4QE

'Disgraceful' for AIB to remove cover

From Mr Keith Salway.

Sir, I have been waiting in vain for the tide of protest to flood through your columns at the news from the Association of British Insurers that commercial cover for damage from terrorist action on the mainland is to be withdrawn.

This decision is, quite simply, a disgraceful act which exposes businesses to punitive losses and partnerships to bankruptcy. At a stroke it accepts a terrorist threat as an established part of life and thereby hands a considerable propaganda coup to the malefactors. How does the City and the government propose to respond?

Keith Salway,
Lechlade,
Gloucestershire

Government insensitive to BR fare rises and decline in service

From Mr David Erdman.

Sir, The recent announcement of 5,000 redundancies on the railways following the 10 per cent fare increases by BR are further examples of the insensitivity of the government to the effects of the current long recession.

Over the three-year course of this recession, BR has been permitted to raise fares by more than 30 per cent, literally driving many passengers on to increasingly congested roads.

Few commercial organisations would attempt to combine these untimely efforts to raise revenue while simultaneously cutting the quality of service. Yet BR is operating 36-year-old rolling stock and signalling while reducing maintenance staff, management, frequency of trains and station opening times, and escalating fares to levels unseen elsewhere in Europe.

Meanwhile the government, apparently surprised by all of this, studiously avoids any commitment to a Channel Tunnel link or new rolling stock for the London, Tilbury and Southend line, choosing instead to hide behind its ever slowing privatisation plans.

Why is the public transport lobby so feeble and when will the interests of the millions of tax paying commuters be properly represented? Perhaps the minister of public transport, or anyone sitting near him who reads the FT, would address these issues and reply.

David Erdman,
secretary,
SENTA,
134 Goddard Way,
Saffron Walden,
Essex CB10 2ED

New role for chambers of commerce

From Mr D P Roberts.

Sir, Last week you carried two letters concerning Chambers of Commerce. Gisela Davis's (November 16) is well argued describing the virtues of chambers as they exist on the continent with public law status. Brian Wright (November 19) was less sure about their effectiveness in providing advice to small firms.

A more worrying article appeared on November 16 which described how Training and Enterprise Councils are developing membership schemes which compete directly with chambers of commerce and undercut chambers' subscription ("Tecs move 'undercuts chambers'"). This is the worst of all worlds and it is amazing that this wholly divisive development should be allowed to continue.

To avoid emasculation of chamber membership there is a possible solution which could offer a way forward and help to re-establish the industrial wealth-creating culture which we have spent a long time walking away from. The government should introduce compulsory registration of all businesses to be administered by chambers of commerce. The registration would be free and the cost of administrating the scheme would be borne from either a subvention from the local authority budget or as part of the enterprise and business development budget of Tecs.

The membership so created would be enfranchised and would be the basis of legitimising the directors of chambers of commerce and Training and Enterprise councils. The chambers of commerce would become an effective focused local centre of business opinion and leadership. They would predominantly comprise small and medium-sized enterprises from where Britain's future prosperity will be derived.

D P Roberts,
chairman,
Mid-Cheshire Chamber of Commerce Trade and Industry,
Winnington Avenue,
Northwich,
Cheshire SW8 4EE

An unnecessary burden on UK small businesses

From Mr Bryan Cassidy MEP.

Sir, An item in the Observer column ("Advising the advisers", November 12) about Michael Heseltine's recruitment of Lord Sainsbury as part of his renewed campaign to tackle the burden of red tape on British business contrasted oddly with the adjoining advertisement by the Health and Safety Executive with the headline "Europe's tightening up on Health and Safety at Work".

May I suggest that among Lord Sainsbury's first tasks is to look at the new HSE regulations. He will find that they go way beyond the requirements of the European Community's directives on health and safety. Among other things, the UK regulations extend to self-employed persons and they require a written risk assessment for all promises in which more than five people are employed.

The EC directive makes no reference to the self-employed, no reference to the need for written risk assessments and, in particular, stresses the importance of avoiding placing unnecessary burdens on small and medium enterprises.

The Health and Safety Commission somewhat vaguely estimates that the cost of introducing these new regulations will be between £12.5m and £50m in the first year and that running costs will be £70m per year thereafter. Many people reckon that the true cost to British business will be much higher.

Are the new health and safety regulations an example of an unlevel playing field being created to hinder British business in competing in the single market?

Bryan Cassidy,
European Parliament,
Constituency HQ,
The Stables,
White Cliff Gardens,
Blandford,
Dorset DT11 7BU

OBSERVER

Schlesinger's last laugh

■ Less than 18 months after taking the helm, Bundesbank president Helmut Schlesinger has stamped his authority on the central bank's policy-making council in a way his cannier and more "political" predecessor, Karl Otto Pöhl, would have envied.

The *Land* (state) presidents on the council – which takes decisions by majority voting, on the basis of one-man one-vote – had been known to give Pöhl a hard time, and Schlesinger too had an early taste of the rebellious streak when he was outvoted on the scale of an interest rate increase agreed last December.

Now a reorganisation of the Bundesbank's council has been effected – one objective of the Pöhl presidency left unaccomplished when he resigned last year – that makes such defeats less likely.

During the past year, Schlesinger had already presided over changes in the permanent Frankfurt-based directorate which meant that the seven men were increasingly cast in the president's mould. Now, even though the east is represented, the number of *Land* presidents on the council has been reduced from 11 to 9.

Indeed, for procedural reasons, four *Land* presidents have yet to take up their seats – leaving Schlesinger's directorate temporarily well in the ascendancy with seven votes against the *Länder* contingent of only five.

So expect Schlesinger to be able comfortably to follow his instinct and wait at least until the beginning of next year before cutting the bank's discount or Lombard rates.

Meanwhile, the new-look council will be a rather duller place. In addition to the departure of Bremen's Kurt Nemitz – a man reputed never to have voted for an interest rate increase in his life – Wilhelm Nölling from Hamburg is also off. Always to be relied upon for a steady stream of verbal fireworks, he will be missed.

Open Dorrell

■ Who says Her Majesty's Government has run out of ideas? Treasury minister Stephen Dorrell, one of the Tories' brighter young things, is begging for inspiration.

"I want to issue a clear and open invitation for ideas on how we can best go forward, from financiers, builders, and anybody else with a worthwhile scheme to offer," the 40-year old minister said in a speech on privatisation to the Centre for Policy Studies.

This may be just another sign of the Treasury's recent abrupt U-turn on listening to outsiders. Certainly it ought to help deflect the blame the next time a Treasury idea goes horribly wrong. No doubt ministers would also welcome worthwhile advice on how to make a success of the EC presidency, how to bring about some green economic shoots, how to make the council tax popular in the south-east etc.

Ideas on a postcard please to S J Dorrell, c/o of HM Treasury, Parliament Street, London SW1P 3AG.

Bull turned

■ If Canada's Conrad Black thought that taking control of Fairfax, Australia's second largest newspaper chain, was going to be trouble free, then he probably didn't listen to his well-placed friends in Britain's Conservative party.

It is one thing to upset the local journos by replacing most of the Fairfax editors, it is quite another to fall out with Malcolm Turnbull, the lawyer-turned-merchant banker, best known for defeating the British government in the infamous Spycatcher case. As Lord Armstrong, former Cabinet secretary, will testify, Turnbull has considerably more clout and stamina than most corporate gadflys.

'Norman's invented a supergun but he's not sure who to sell it to'

Turnbull has teamed up with the Australian Shareholders Association to oppose a new Fairfax executive option scheme. He claims the scheme, which will be voted on at tomorrow's Fairfax agm, enriches Black's right-hand man, Dan Colson.

Defeating the motion would be sweet revenge for Turnbull, who received substantial fees for working on the Fairfax takeover, but was forced to quit the bidding consortium after a series of blazing rows with Colson.

In camera

■ The members of the fearless BBC Panorama team who deal routinely with such difficult subjects as cocaine and military supplies to Iraq are taking on a really dangerous subject next week – their own future. Panorama plans to investigate the future of its own employer, in the wake of today's government discussion document, and has exclusive film footage of the Beeb governors at work. It is understood that the behaviour of both governors and senior management was exemplary when the cameras were switched on. But as soon as they had clicked off, it was a different picture entirely. An animated discussion ensued as to whether such a programme was a good idea.

No surprise that the argument split along predictable lines. Sir Michael Checkland, the outgoing director general, who recently suggested his chairman Marmaduke Hussey was a bit too old for a second term as chairman, was firmly behind the idea. The Duke and the incoming director general John Birt seemed less enamoured.

Hear no...

■ Everybody Needs Opera sing out the posters for the English National Opera. So why does one portray a young woman with a look of studied concentration on her face and her hands over her ears?

Leaks

■ Rumours circulating before last Saturday's rugby test with Australia at Cardiff Arms Park that Spillers, the pet food manufacturer, was thinking of sponsoring the revitalised Welsh team next season, have proved groundless.

While the sponsorship would benefit the team's finances, it was felt that it wouldn't do much for the company's well-known brand – Winalot.

FINANCIAL TIMES
Tuesday November 24 1992

OECD says US should drop plans for fiscal stimulus next year

Warning to Clinton on economy

By Michael Prowse in Washington

THE incoming Clinton administration should drop plans for a fiscal stimulus next year and make health care reform a priority, the Organisation for Economic Co-operation and Development has warned.

In an unusually blunt assessment of US economic prospects the Paris-based organisation says: "There is no scope for any fiscal stimulus without compromising all pretence of controlling the federal budget deficit." With the economy already set to grow at nearly 2.5 per cent next year, policymakers should focus on medium-term deficit reduction.

It warns against further cuts in interest rates, arguing that monetary policy has gone "as far as desirable in the direction of easing".

The deficit can be readily eliminated by the mid-1990s by adopting policies that are "commonplace in other OECD countries". These could include a 5 per cent value-added tax, an increase in petrol taxes of 25 cents a gallon, and tough controls to curb the growth of health care costs.

The deficit reflects a "failure to confront the issue squarely" rather than "an absence of obvious solutions". Among OECD countries, only Turkey has a lower ratio of taxes to gross domestic product. US health care costs, meanwhile, far outstrip those elsewhere.

If the deficit is not tackled, "prospects for real income growth will continue to fade".

The report projects a slow recovery, with economic growth rising from an annual rate of 2 per cent in the second half of this year to 2.7 per cent in the second half of next year. The unemployment rate is likely to remain close to 7.5 per cent at the end of 1993. Inflation, however, should fall below 3 per cent.

The sluggish growth outlook reflects a "serious erosion of the factors underpinning current and future prosperity." The net rate of national saving fell to only 2.5 per cent in the second half of the 1980s, the lowest ratio for any OECD country.

The most serious structural problem is an "archaic" health-care system. Per capita health-care spending is double the OECD average yet one in seven people is uninsured. This "worsening paradox of excess and deprivation" must be corrected, the OECD says.

The report analyses several reform options and concludes that the problem of lack of access to care can be solved either by regulating private insurance markets more strictly and by providing subsidies for low-income families or by moving toward the tax-financed social insurance systems preferred in most other OECD countries.

If costs are to be controlled, however, the OECD says there is no way of avoiding effective budget constraints for doctors and other health care providers, involving price controls and limits on the volume of services provided.

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Strike leaves Italian smokers gasping

Robert Graham in Rome reports on a severe shortage of tobacco

IT'S become a case of fire without smoke in Italy.

Smokers and tobacconists are angry over a strike in the state tobacco monopoly that has paralysed distribution and exhausted supplies throughout the country. The tobacconists' union is appropriately acronymed Fit.

"The strike has been going on for 20 days and I know of no one who has got any stock left – except the most expensive cigars," said a tobacconist in central Rome. "I've never known anything like it – we even had a chauffeur who had been sent out to buy as many cigarette rollers he could find. People are desperate."

Yesterday, a single cigarette was being traded in the street for as much as L1,000 (73 cents). In Rome restaurants, waiters were asking for tips in cigarettes. At the airport arriving passengers found themselves being offered cash for their duty frees.

At the frontiers with the Switzerland and France the flow of shoppers was reported unusually heavy. Even in Naples, the centre of contraband, stocks have been drawn down and police warned of the dangers of buying "doctored" cigarettes.

Today, the country's 60,000 tobacconists are due to strike in protest at their loss of income. They have already written to the prime minister and president of the republic seeking their intervention. Also faced with higher taxes next year have asked for special tax exemption for their lost sales.

The shortage of cigarettes has been caused by attempts to transform the entity running the state monopolies, which consist essentially of tobacco and matches. The government is proposing to turn the entity into a public company and cuts its 13,000 workforce by 600 jobs.

The bulk of the workforce has gone on strike in protest at the threat of job losses. Since the *monopoly controls stocks, Italy's* 13.3m smokers are entirely dependent upon its ability to distribute. The tobacconists themselves are often small shops with little storage space, and their own retail stocks are limited

The trouble started because both smokers and tobacconists underestimated the determination – or bloody mindedness – of the strikers. Frequent reports of settlement have proved groundless.

The latest report is that work will resume on Wednesday but stocks are unlikely to be delivered until the weekend at the earliest. On current prices a cigarette could cost L2,000 by then.

A young girl lays flowers outside a house in Mölln where three people died and nine were injured in an arson attack

Bonn may act to curb neo-Nazi groups

Continued from Page 1

who has repeatedly warned against racial violence, expressed grief over the victims of "senseless, disgraceful violence."

The attack also sparked renewed charges that the government had failed to take firm action against a rash of violence against foreigners, and had instead become bogged down in an interminable debate on how to stop the flow of asylum-seekers from eastern Europe into the country.

The latest victims were not asylum-seekers, but long-time Turkish residents in Germany. At least one of the girls was born in the country and had lived all her life there.

The three deaths bring to at least 14 the number of deaths from racial attacks in Germany this year. Two other murders were attributed to neo-Nazi gangs at the weekend – one of a German who was allegedly burned to death because his skinhead attackers thought he was Jewish.

Delegates at an international congress on the Holocaust in Brussels yesterday said the memory of Nazi war crimes should be evoked to curb the dramatic rise of the extreme-right across Europe.

EC studies growth package

Continued from Page 1

run-up to the Edinburgh summit to try to achieve a consensus on how to proceed. He will then report to Mr John Major, the UK prime minister. It is unclear whether the finance ministers will attend the summit, but several said at yesterday's meeting that they should do so.

The growth package will be further discussed on Friday at a meeting of finance and foreign affairs ministers who hope to break the deadlock over the Delors II package to raise Community spending by almost one third over the next five to seven years.

At yesterday's meeting, Germany, France, Britain and Italy all expressed doubts about the spending proposals. Ministers said it was difficult to justify the spending at a time of domestic austerity. Mr Köhler said the latest proposal by Mr Jacques Delors, European Commission president, to freeze spending in real terms for the next two years was "an absolute minimum".

The UK also came under attack for its rebate from the Community which is expected to amount to £2bn ($3bn)this year.

Westinghouse to sell assets

Continued from Page 1

tinued operations, together with financial services, and the $800m of net gains and operating earnings they are expected to generate will help offset the property portfolio charges.

Westinghouse, which has come close to violating its bank loan covenants, said that after taking all charges it remained in full compliance with its bank revolving credit agreement.

The dividend is being cut to 40 cents a year from 72 cents.

Mr Lego said the plan would provide sufficient funds to retire all of the financial services unit's debt, which currently exceeded $6bn.

The company has also created a new eight-member management committee as a top policy-making team and a four-member *president's office to co-ordinate* the activities of the remaining operating units.

A possible buyer for some of the real estate assets is GE Capital, the financial services arm of fellow conglomerate General Electric. GE Capital has enjoyed strong growth in recent years, helped by limited exposure to problem property loans.

World Weather

		°C	°F
Ajaccio	S	18	64
Algiers	S	23	73
Amsterdam	C	11	52
Athens	F	19	66
Bahrain	S	25	77
Bangkok	F	32	90
Barcelona	S	17	63
Beijing	S	9	48
Beirut	R	16	61
Belfast	R	12	54
Belgrade	C	5	41
Berlin	R	3	37
Biarritz	S	25	77
Bombay	S	32	90
Bordeaux	S	15	59
Boulogne	S	14	57
Brussels	F	12	54
Budapest	C	3	37
Buenos Aires	C	18	64
Cairo	S	22	72
Cape Town	S	21	70
Caracas	F	29	84
Casablanca †	S	16	61
Chicago †	Dr	3	37
Cologne	C	12	54
Copenhagen	R	3	37
Corfu	S	18	64
Dallas †	S	4	39
Dublin	R	14	57
Dubrovnik		–	–
Edinburgh	C	13	55
Faro	S	18	64
Florence	S	14	57
Frankfurt	C	12	54
Geneva	Fg	6	43
Gibraltar	S	17	63
Glasgow	R	12	54
Helsinki	S	-10	14
Hong Kong	S	25	77
Innsbruck	S	10	50
Inverness	C	14	57
Islamabad	F	19	66
Istanbul	F	9	48
Jakarta	R	31	88
Johannesburg	F	27	81
Lisbon	C	15	59
London	C	13	55
Los Angeles †	S	12	54
Luxembourg	C	10	50
Madeira	S	21	70
Madrid	S	12	54
Majorca	S	19	66
Malaga	S	18	64
Malta	S	21	70
Manila	C	32	90
Melbourne	C	22	72
Mexico City	C	20	68
Miami †	R	25	77
Milan	S	11	52
Montreal †	R	1	34
Moscow	C	0	32
Munich	S	12	54
Nairobi		–	–
Naples	S	19	66
Nassau	F	28	82
New Delhi	S	20	68
New York †	F	17	63
Nice	F	17	63
Nicosia	R	15	59
Oporto	S	14	57
Oslo	Sn	-1	30
Paris	S	14	57
Prague	Dr	3	37
Reykjavik	F	2	36
Rhodes	S	18	64
Rio d'Janeiro	R	37	99
Rome	S	18	64
Salzburg	F	10	50
S'Francisco †	S	7	45
Seoul	S	10	50
Singapore	R	26	79
Stockholm	S	-8	18
Strasbourg	F	15	59
Sydney	S	27	81
Taipei	C	23	73
Tangier	F	17	63
Tel Aviv	F	18	64
Tenerife	F	26	79
Tokyo	S	19	66
Toronto †	R	4	39
Tunis	F	21	70
Valencia	S	20	68
Venice	S	12	54
Vienna	R	3	37
Warsaw	S	3	37
Washington †	S	14	57
Zurich	C	10	50

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

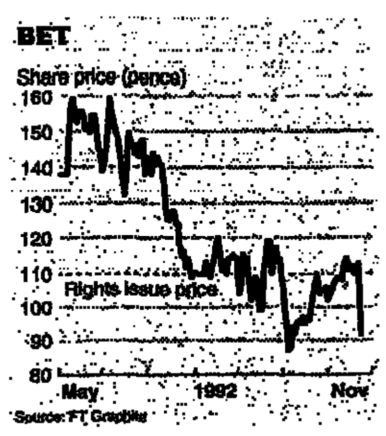
Still hurting

One day's trading since the weekend's ERM realignment leaves little doubt that the market has decided to judge it harshly. There is no knowing how long it will take for something else to snap – that may depend on whether Ireland has a finance minister to sign away his currency after tomorrow's election – but there is a tell-tale whiff of trouble in the air. One month Irish interest rates are at 35 per cent. The Danish crown is close to its D-Mark floor. France pushed short term rates back over 10 per cent and intervened to support the franc.

The French currency may not be first in the firing line, but each bout of currency instability exposes growing *European disillusion with the employment* cost of fixed exchange rates. Alongside the Danish krone, the franc would certainly look vulnerable if the punt and Norwegian crown were to be toppled. That would raise doubts not only about the viability of the ERM itself but also about the shape of any residual inner core of strong currencies clustered round the D-Mark.

The interest rate convergence theory is thus suddenly suspect for currencies hitherto regarded as close to the centre. The yield premium over German bunds and both French and Danish bonds widened yesterday. Then again, a fresh attack on the franc could pose the Bundesbank with an awful dilemma. It might either have to cut rates against its better judgment or risk a new surge in its money supply from intervention, followed by a French devaluation that would make German industry almost hopelessly uncompetitive. What price then on it still refusing to adopt the former course?

FT-SE Index: 2722.9 (-9.5)



GPA

It is just as well that GPA owes its banks $3bn rather than, say, a measly $3m. Given that the company accounts for more than 10 per cent of worldwide aircraft deliveries over the next two years, one of its trump cards at the moment may be that it is too big to fail. Even so, while the signs from yesterday's meeting of bank creditors in London might be described as guardedly positive, GPA will need to muster the contacts of its veritable cabin crew of non-executives to be sure of pulling through.

GPA aims to persuade the banks that, *if they bail it out of its short* term crisis, the combination of new capital, strong underlying cash flow and recovery in the aviation market will enable it to make the much bigger capital repayments scheduled for 1995 and beyond. Inevitably this requires an act of faith on the part of lenders that the adjustment of capacity to traffic potential will be reflected in firmer leasing rates by then. To be fair there is some evidence that the recent reduction in surplus aircraft is having an effect. *But if demand is not* the worry it was, the credit quality of GPA's airline customers certainly is.

The biggest challenge for GPA, though, could be to persuade secured lenders that the holders of bonds and medium term notes need not make any sacrifices. There is, of course, a perfectly logical reason for this. GPA desperately needs the confidence and the goodwill of capital markets which at some stage it will have to tap as a condition of the refinancing.

BET

Yesterday's 20 per cent fall in BET's share price was its just punishment for misjudging the cycle. The company's decision to replace its auction market preferred shares with real equity through July's rights issue was sensible enough. But that is scant comfort to shareholders who took up rights at 110p in anticipation of a secure dividend. The message from yesterday's interim results is that the pay-out cannot be sustained by cash flow alone. With little immediate hope of an earnings recovery, and further provisions expected in the second half, the company would be justified in cut*ting this year's dividend*. But that would be embarrassing after the rights issue. Next year's dividend must now be in doubt. That BET could lose its place in the FT-SE index is a further reason not to hold the shares.

The immediate problem is pressure from cut-priced competitors in markets such as office cleaning and plant hire. Another swing of the axe across BET's collection of loss making ventures should reduce the drag on profits. If BET really can squeeze an operating margin of around 10 per cent from a slimmed-down portfolio, operating profits of perhaps £150m may eventually be attainable. *The shares would* then look cheap. With borrowing back under control, the promise of a move into high growth areas like contract catering would be less of a pipe dream.

This assumes, though, that margins get no worse in the near term and that BET can dispose of the loss-makers. Given the speed of the down-turn since the summer, there is no reason to take much on trust.

Westinghouse

The sharp initial bounce in Westinghouse's shares following yesterday's restructuring announcement is an expression of relief that the nettle has *finally been grasped*. Westinghouse's financial services business has haunted the management for well over two years. There has been a frightening spiral of provisions – $975m in February 1991, $1.7bn in October 1991, and now $2.35bn in the fourth quarter of 1992, plus an incidental $300m of operating losses while the disposal is completed. Given the trend, investors can be forgiven for wondering whether even these sums will be enough to rid them of the nightmare.

Even if it is, there is little reason to relax. Each of the company's three remaining core businesses faces difficulties. Few nuclear stations will be built. Yet in conventional plant Westinghouse's emphasis on project management involves it in lower margin areas of construction, while its arch-competitor General Electric seems to have a sharper focus on higher-tech, and higher margin, manufacturing. The electronic systems division is heavily dependent on the hard-pressed US military. Environmental systems faces opposition to construction of more toxic waste incinerators.

It is not yet clear that the new structure will be able to deal with these problems. And presumably employees *phlegmatically regard the company* pension fund's phased investment in $400m of Westinghouse stock as just one more hazard.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday November 24 1992

INSIDE

IBM in shift of strategy

International Business Machines announced a worldwide initiative to promote "client-server" computing, which uses multiple computer systems distributed around corporate networks. The move reflects a strategic shift for IBM away from its traditional view of mainframe-based data processing. Page 26

Bayer sees no improvement

Bayer, the German chemicals and drugs group, yesterday announced a fall in profits, a rising tally of job losses and warned that there was no sign of improvement. Page 24

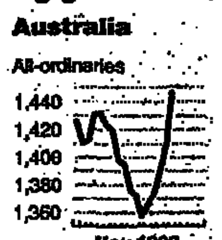
Carrots on sticks

Exhibitors at next week's Royal Smithfield Show in London have been receiving carrots. The organisers are trying to persuade agricultural traders of the potential benefits of showing their wares to what is claimed to be the biggest specialist farming audience in Britain. Page 32

Final prop for Norway's banks

Norway has unveiled a NKr5bn ($775.2m) rescue plan for its three biggest banks – Den norske, Christiania and Fokus – and warned this would be the last time they would receive support from the state. Page 24

Big gain in Australia



Source: Datastream

The Australian stock market notched up its biggest one-day gain since April 10, aided by heavy bargain-hunting. The All-Ordinaries finished 36.3 higher at 1,446.4. Rises outperformed falls by seven to three. CSR, the sugar producer and building group, jumped 16 cents to A$3.63 on a 23 per cent rise in interim profits and the forecast of further growth in the remainder of this year. Back Page

Mouldy gold

Ashanti Goldfields of Ghana is to become the world's leading user of bacteria to produce gold. Thiobacillus ferro-oxidans will release 300,000 troy ounces of gold a year by munching away at difficult ore which otherwise would have to be treated by expensive roasting or pressure oxidation. Page 32

Rights issue boosts Emap

Emap, the media group, yesterday announced a 50 per cent rise in pre-tax profits to £14.8m ($22.4m) for the six months to the beginning of October. The figures were boosted by the effects of June's £78m rights issue. Page 30

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Heidelb Zem	820	+	14
Falls			
Allianz AG	1969	–	33
BASF	204.1	–	3.6
Bayer	254.8	–	5.7
Holzmann Ph	874	–	16
Rosenthal	222	–	8

NEW YORK ($)

Rises			
BET ADRs	5¾	+	1⅜
Cytogen	17¾	+	⅝
Eastman Kodak	41⅛	+	¼
Gen Electric	81½	+	1½
Martin Marietta	61	+	3⅜
Westinghouse	12⅜	+	2⅝

PARIS (FFr)

Rises			
Worms Cie	229	+	11
Falls			
Cr Fonc France	672	–	46
Gaumont Soc N	333.5	–	26.5
Legrand	3741	–	207
Legris	112	–	9.4
Spie Batignolls	271	–	24

Tokyo closed. New York prices at 12.30pm.

LONDON (Pence)

Rises			
ADT	580	+	40
AngloIrishBk	41	+	3
BMSS	93	+	8
Brown Shipley	35	+	4
Card	24	+	7
Diploma	344	+	22
Dobson Park	53	+	5½
Fenner	66	+	4
HTV	18	+	4
Holmes Mchnry	14	+	3
MenzaleMoore	11½	+	3½
Moldtone	125	+	9
Speyhawk	15	+	2½
Tiphook	255	+	16
Vibroplant	57	+	10
Walker Staff	105	+	11
Falls			
BET	92	–	20½
Brit Aerospace	126	–	7
DagenhmMotors	78	–	25
Euro Disney	755	–	58
Gestetner	148	–	8
Mowlem (J)	73	–	8
Severn Trent	461	–	11
Simon Eng	90	–	9

Siemens and Daimler tighten rail links

By Christopher Parkes in Frankfurt

SIEMENS and Daimler-Benz, Germany's biggest industrial corporations, plan to put their railway engineering groups into a joint venture.

Siemens said yesterday that it and AEG, the Daimler subsidiary, had asked the Berlin cartel office if there would be any fundamental objections to "co-operation".

"We have not yet raised the question of what form the joint venture should take – whether it should involve all or part of our operations," Siemens added.

A merger, which could include all Siemens' holdings in other joint ventures, such as those with steel and engineering groups Krupp and Krauss Maffei, would lead to the creation of a world-scale locomotive, rolling stock and track systems group with sales of almost DM4.5bn ($2.81bn).

Both businesses were profitable, but the increasing privatisation of railway networks, and internationalisation of markets formerly dominated by public sector utilities buying from domestic manufacturers, made increased competitiveness desirable, Siemens said.

There was a growing market for companies which could provide complete systems, including tracks, signalling, locomotives, power supply and signalling.

Competitors such as ABB and GEC-Alsthom had consolidated strong positions in their domestic markets and were increasing their international presence. The German industry, by contrast, was still fragmented.

Apart from seeking greater critical mass in the home market, where contracts totalling DM100bn are expected for work on upgrading and linking the former East German rail network with that in the west, both prospective partners want to extend their international presence.

Seeking influence in east European markets, Siemens is currently battling with the new management of Skoda, the biggest Czech engineering group, to take control of its rail interests. It is lead company in a consortium of German engineers signed up to rebuild rail links between Warsaw and Berlin.

The group, which created its own rail transport technology division only three years ago, has many co-operation deals in the rail business, including one with Ansaldo, the state-owned Italian company.

GPA in collateral offer to banks

By Robert Peston, Banking Editor

GPA, the aircraft leasing company, yesterday offered its banks fees of around $20m and improved collateral in return for deferring up to $1bn of debt repayments for two years.

One of the 250 bankers, representing 100 banks, who attended yesterday's meeting said: "There was resignation among the banks that something has to get done to put GPA on a firmer financial footing."

Another banker praised GPA's directors, led by the chairman, Mr Tony Ryan, for showing "the right degree of humility and acknowledgement of the mistakes of the past".

The banks were asked to give a temporary waiver by December to a potential breach of GPA's borrowing convenants. The deadline for agreement on debt rescheduling and a permanent change in convenants is mid-January. The company, which has total debts of $5bn including bank debts in excess of $3bn, needs a two-thirds majority of the banks – measured by value of loans – for the borrowing changes. However, Mr Maurice Foley, GPA's deputy chairman, said: "We don't want to win by scrambling to victory by just one vote. We want unanimity."

Though GPA has offered $20m of fees, one banker said there were "bound to be arguments that the fees should be higher".

Some banks are disappointed by GPA's decision not to ask for any sacrifices from the providers of $1.5bn of unsecured debt through an assortment of capital market instruments, such as bonds and medium-term notes.

GPA argued that its future viability depends on its ability to tap the capital markets which would be impossible if bondholders alienated.

GPA gave the banks forecasts that cash flow should meet interest payments over the coming two years. But this is not sufficient to meet its commitment to buy $3.5bn of aircraft over the same period. Bankers estimate if GPA sells aircraft leases it should be able to raise $2bn to buy aircraft in the next two years. If manufacturers refuse, to defer or cancel some orders, bankers said they would build conditions into covenants to force the company to ask their permission each time it bought an aircraft.

Lex, Page 22

Martin Dickson on a $3bn deal that reflects a declining US defence budget

Ending of Cold War hots up a merger

THE merger announced yesterday between Martin Marietta and the aerospace businesses of General Electric is the most dramatic example yet of the wave of consolidation reshaping the US defence industry in the post-Cold War era.

Many more such deals are likely over the next few years as long-pampered US defence contractors come to grips with a sharply declining US defence budget and the industry consolidates in the hands of the most efficient operators.

Martin Marietta is buying the GE business for $3.05bn, making it the largest recent defence industry merger, but the deal is also significant in that it brings together two of the more successful businesses in the sector, combining from a position of strength, rather than weakness.

Martin Marietta, with revenues of $6bn and net earnings last year of $313m, is a leading manufacturer of space launch vehicles, such as the Titan family of rockets, as well as military electronics, information systems and missiles. It employs 56,000.

It is an important contractor to the Patriot air defence missile system which helped defend Israel and Saudi Arabia during the Gulf War.

The GE businesses being sold, which had 1991 revenues of $6bn and are expected to earn around $330m net this year, supply radar, sonar avionics and armaments systems, missile system components and make commercial satellites. They employ 37,700 people.

The two claimed yesterday their combination would create a defence electronics business twice as big as the next nearest contractor and a "lower cost, more competitive and more innovative global supplier".

The deal was initiated by Mr Jack Welch, GE chairman, who over the past decade has turned this once stodgy giant of US industry into a very aggressively managed business, with interests ranging from financial services to television. One of Mr Welch's long-held beliefs is that GE's businesses must be first or second in their respective markets if they are to prosper in the increasingly competitive global marketplace.

Mr Welch conducted a strategic view of the aerospace business and its flat revenues and profits in the light of the US defence cutbacks and decided that it needed to be part of a larger entity.

He identified Martin Marietta as the best possible partner and raised the subject some six weeks ago with Mr Norman Augustine, the company's chairman, while the two were closeted away at a meeting of the Business Council, a retreat which brings together some of America's top executives.

Mr Welch admitted yesterday that GE might have tried to acquire Martin Marietta, but it quickly became clear that Mr Augustine was interested in buying businesses, rather than selling.

Indeed, Martin Marietta was unsuccessful earlier this year in an attempt to buy the missiles and aerospace business of steel group LTV, which was eventually sold to Loral, Carlyle Group and Northrop.

The deal has been structured so that GE will continue to have a stake in the business.

It will get two seats on the Martin Marietta board and $1bn of the sale price will be in the form of Martin Marietta convertible preferred stock, which Mr Welch hopes will give GE a "good upside ride".

GE will suffer a small initial dilution of earnings per share, of around 2 per cent, but thinks that over the longer term the deal has to potential to add 1 per cent to 2 per cent a year to the group's earnings.

Martin Marietta will benefit not just from enhanced size, but from access to GE's research and development laboratories, which are among the best in US industry, and GE's global presence. The two also plan to pool the purchasing of some commodity items.

The deal should allow some rationalisation of facilities and employees, notably at headquarters, but both companies were at pains yesterday to stress that they were remarkably complementary with relatively little business overlap.

Mr Augustine, arguing that "these two companies will be much stronger, much better off than they would be alone", said, for example, that Martin Marietta's space launcher business and GE's commercial satellite operations might find work together.

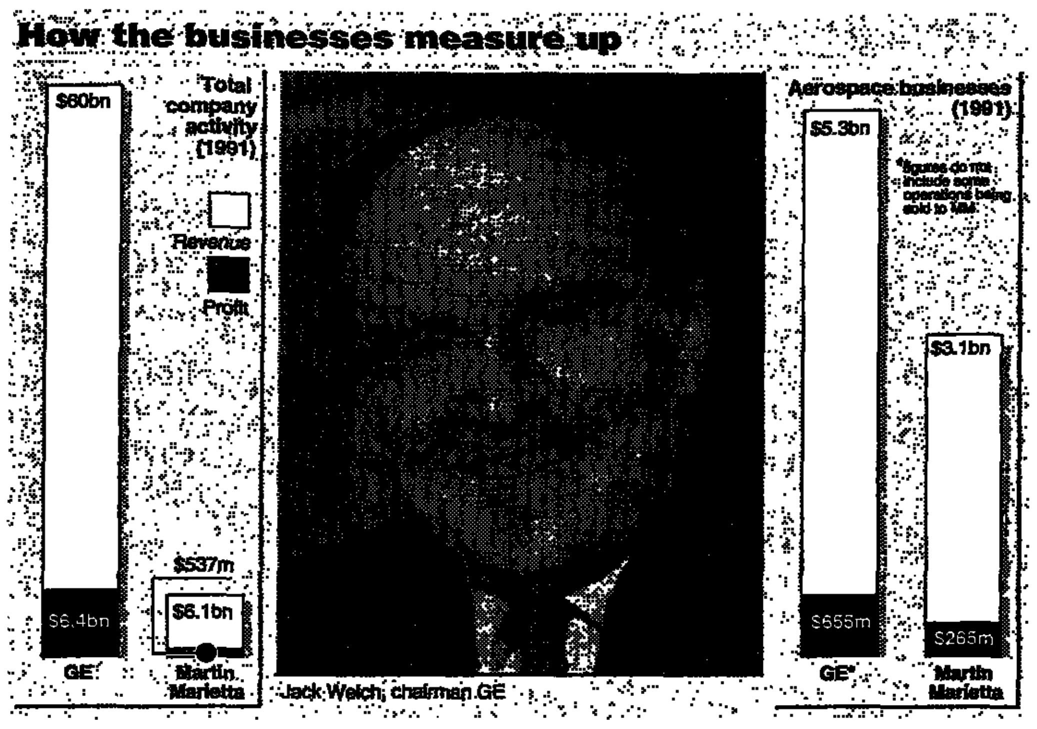
Similarly, in underwater warfare, Martin Marietta made missiles and launch systems and GE was involved in radar. This offered possibilities for the joint business to assume prime contractor status.

While the combined business, with some $11bn of annual revenues, will be largely defence-based, it will also have some $3.5bn of non-military sales, in areas such as robotics, environmental clean-up and commercial satellites.

The US company that has acted most aggressively to cope with the new defence environment is General Dynamics, the second largest Pentagon contractor, which is in the process of selling off non-core operations and slimming down to just four areas of military expertise. Recent rumours have suggested that it might even sell off one of these four, its jet fighter division, if it can get an attractive price.

A study by Mr Jerrold Lundquist, of management consultants McKinsey, in the current edition of the Harvard Business Review indicates that the industry has a long slimming process ahead. "Today a dozen defence companies compete in six or more market segments. Tomorrow they will compete in two or three. Several large companies and scores of small ones will fold altogether. In 1992 there are 13 companies in the space segment, and 16 vie for a slice of the avionics pie. By 1997, there will be only five or six in each group."

Mr Lundquist argues that the rationalisation will proceed quickly and "companies that act first will have the greatest advantage". Messrs Welch and Augustine would doubtless agree.



Jack Welch, chairman GE

Italian government to split SME into three before privatisation

By Robert Graham in Rome

SHARES in SME, the Italian state-controlled foods retailing and catering group, rose 8 per cent to L6,000 on the Milan bourse yesterday following the government's decision to split the company into three for the purposes of privatisation.

SME is 62 per cent owned by IRI, the state holding company, with the 38 per cent balance of shares listed on the Milan bourse. SME sales last year totalled L2,323bn ($1.68bn).

"We feel splitting the group into three is the best way of getting value," Mr Michele Tedeschi, IRI chief executive said yesterday.

SME has a market capitalisation of L2,700bn. The shares had been suspended for more than a week pending clarification of the government's privatisation plans. The government is determined to head off bids from potential asset strippers.

At the same time, Mr Tedeschi and members of the government made it clear they wished to use the SME privatisation as a model of the cabinet's broader programme of selling off state assets.

IRI was criticised two months ago for the poor handling of its decision to sell its software subsidiary, Finsiel, to STET, its telecommunications arm.

Under the privatisation programme, SME will be split as follows:

- Frozen foods and ice creams. This part, considered the industrial side of SME, will consist mainly of Italgel Gruppo Dolciario. It will be sold with IRI retaining no stake. Groups such as Nestlé and Unilever are reportedly most interested in these activities.
- Branded/canned foods, olive oil. This will centre around the brand names of Cirio Bertoli de Rica and international activities such as SME International Food. SME has 24 per cent of the US olive oil market. The milk business, currently included in this group, may be hived off into a separate fourth group for special sale.
- Motorway chain restaurants and chain stores. IRI intends to retain a shareholding, probably through a golden share.

The aim, according to Mr Tedeschi, is to create these groups out of the existing company. He insists minority share holders' rights will be respected in the proposed division of assets prior to sale.

PepsiCo expands Spanish side

By Nikki Tait in New York and Peter Bruce in Madrid

PEPSICO, the large US soft drinks, snacks and restaurants group, yesterday stepped up its assault on the Spanish market, by acquiring Kas, a beverage brand owner, and Knoor Elorza S.A. (Kesa), which manufactures, bottles and distributes for Kas and Pepsi.

The $320m deal virtually doubles Pepsi's share of the Spanish carbonated soft drinks market – traditionally dominated by Coca-Cola, its big domestic rival – by adding Kas's 6 per cent market share to Pepsi's 7 per cent. A year ago, Pepsi earmarked Spain as an area for international expansion, saying it would invest at least $1bn there over the next five years.

The Kas and Kesa businesses are both majority-owned by Banco Bilbao Vizcaya (BBV), one of Spain's biggest banks. Pepsi already holds a 30 per cent stake in Kesa, which was formed in 1989 as a joint venture between the US company and the Knoor family, which founded Kas.

The aim of Kesa was to create a single, country-wide bottling system, which could produce and sell Pepsi's soft drinks brands, plus all of Kas's fruit-flavoured drinks and mixers. Pepsi's bottling had previously been split between several franchise operations, and in Cataluna the business is still franchised to Cadbury-Schweppes. Kesa's facilities take in a "southern hub" in Seville and a northern centre in the Basque country.

Net annual sales for the combined beverage operations are estimated to be around $470m in 1992, and Pepsi yesterday predicted that this figure could rise to more than $1bn within five years. In addition to commanding 6 per cent of the carbonated soft drinks market, Kas also holds around 8 per cent of the juice nectar sector.

Yesterday, PepsiCo shares eased $¼ to $42. Analysts in Madrid say the sale by BBV was an admission that it did not have the expertise to take on Coca-Cola in the fast growing Spanish soft drinks market, which is estimated to be worth just over $3bn a year. Coca-Cola's share of the market is around 51 per cent.

The BBV, like most Spanish banks with large industrial holdings, is also using disposals of its industrial assets to boost its own bank profits, which have suffered recently due to the slowing economy and bad debts.

More job cuts at Bayer as earnings plunge 32%

By Christopher Parkes in Frankfurt

BAYER, Germany's leading chemicals and drugs group, yesterday announced a sharp drop in profits, a rising tally of job losses, and warned that there was no sign of improvement.

A 32 per cent slump in third-quarter earnings dragged pre-tax profits for the first nine months of this year down to just DM2.2bn ($1.37bn) – 16 per cent less than in 1991.

Bayer, last of the top three chemicals corporations to report, blamed a "dramatic" fall in volume sales in the third quarter for the accelerating downturn. Mr Manfred Schneider, the new chairman, said orders for chemicals in the three months to the end of September were down between 10 per cent and 15 per cent.

Rivals Hoechst and BASF last week announced nine-month profits down 19 per cent and 45 per cent respectively.

The D-Mark's revaluation against the US dollar and other currencies had a substantial impact on sales and profits, Mr Schneider said.

Manfred Schneider: Orders for chemicals down in last quarter

Bayer's turnover, down 2.4 per cent at DM31.7bn at the nine-month mark, fell 7 per cent in the third quarter to DM9.6bn.

First-half sales were virtually unchanged at DM22bn, and profits were 10 per cent lower.

Mr Schneider said exchange rate fluctuations accounted for one-third of the earnings fall so far.

An early effect of the post-summer downturn, which has hit most German industry, has been a marked increase in the number of job losses. Bayer, which started the year planning 3,000 and later revised the figure to 4,000, said yesterday that 6,200 jobs would go by the end of the year.

Reductions would continue next year if there were no fundamental changes in chemicals markets, Mr Schneider said.

Other structural changes were also under way, he added. These included the planned closure of factories making ingredients for dyestuffs.

Although Bayer had managed to increase prices for over-the-counter medicines and some consumer and veterinary products, the chemicals business was still suffering for reductions due to world overcapacity and slack demand.

Even pharmaceuticals had not been able to escape this trend, Mr Schneider noted. Overall, prices had fallen 2 per cent in the period under review.

Terms of Hachette, Matra deal out today

By Alice Rawsthorn in Paris

HACHETTE, the troubled French media group, and Matra, the defence electronics, company are expected today to announce details of revised terms for their merger.

The shares of both companies, together with those of MMB, the company that controls them, were suspended on the Paris stock market pending an announcement this morning.

The supervisory boards of the three companies, all chaired by the flamboyant Mr Jean-Luc Lagardère and controlled by his family, met yesterday to discuss the final plans for the merger.

Hachette, which owns the worldwide rights to Elle magazine, is also expected to complete plans this week for its recapitalisation. The company's future has been clouded by uncertainty since the collapse early of La Cinq, the French television station in which it was the managing shareholder.

The group, which has also been burdened by the legacy of its over-ambitious expansion in the US during the 1980s, *remained in the red with net* losses of FFr39.3m ($7.4m) in the first half of this year.

Hachette announced this spring that it planned to raise FFr900m in new equity, together with FFr600m from a convertible bond and FFr1.3bn from subordinated notes. Mr Lagardère also astonished the Paris stock market by disclosing plans to merge Hachette with the apparently incompatible Matra, claiming their union would produce significant savings in central costs.

Matra and Hachette last month announced provisional terms for the merger in which the former's investors were likely to be offered 11 Hachette shares for every five of their existing shares.

However MMB's management has since indicated that the terms may be changed in favour of Matra's shareholders, possibly along the lines of offering five Hachette shares for every two Matra shares.

Dividend threat as BET falls 43%

By Richard Gourlay in London

BET, the business services company, yesterday reported a 43 per cent drop in profits and predicted the recession, which has savaged operating margins, would continue for two more years.

"We are an early indicator [of recovery]," said Mr John Clark, chief executive. "If we ain't seeing it, then it ain't coming." BET shares fell from 112½p to 92p.

The company, which last July launched a £200m rights issue, also left open the possibility that it will cut the second-half dividend.

The "current intention" was to maintain a full-year dividend of 6.5p, Mr Clark said. This was unlikely to be covered by earnings.

Next year's dividend, which many City analysts believe is also unlikely to be covered, would be "considered very carefully", the company said.

At the interim stage, pre-tax profits to September fell from £71.5m to £40.5m ($61.2m) on sales 4 per cent lower at £1.18bn. Earnings per share fell from 5.6p to 1.7p and the interim dividend is to be cut from 4.25p to 2p.

The results revealed a collapse in operating profits from £93m to £49.7m on sales from ongoing businesses of £1.13bn. This included £11m of exceptional costs mainly covering reorganisation of businesses for sale and the UK textile services business.

The company also revealed that it had run into an ACT problem. Its reliance on the UK, where profits were hardest hit, meant the group was not liable for enough mainstream corporation tax against which it could offset its ACT. As a result, BET wrote off £8m of ACT in the first half. The group's tax charge is likely to rise to 45 per cent this year, from 26 per cent.

Mr Clark said the new management team, which he started to build 18 months ago when he replaced Mr Nicholas Wills as chief executive, had also decided to sell more businesses. The cash raised would be used to "improve BET's mix of businesses".

Net debt fell from £107m to £91m – or £49m including the proceeds of the sale of Initial USA. As a result, the interest charge fell from £22m to £9m. The company used the proceeds of its rights issue to repay $380m (£251m) of auction market preferred stock and confirmed yesterday that, while it was unconcerned by the level of this form of financing, it would be repaying the $120m balance "at an appropriate time" from its own resources.

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Extra aid for Norwegian banks

By Karen Fossli in Oslo

NORWAY yesterday unveiled a NKr5bn ($775.2m) rescue plan for its three biggest banks – Den norske, Christiania, and Fokus – and warned this would be the last time they would receive state support.

The latest rescue package increases to NKr20bn the amount transferred to the three banks in the past 12 months. In addition, the banks' own insurance fund has pumped NKr7.4bn into the sector, of which NKr7.2bn has been written off as losses.

Last year, Christiania and Fokus bank saw their share capital wiped out and were acquired by the state.

Den norske, Christiania, and Fokus face far-reaching measures to reduce costs by 15 per cent in order to comply with terms and conditions of the rescue plan.

In the nine months ended September, the three banks suffered combined net losses of NKr3.7bn. The NKr5bn aid package is made up of NKr4bn in "paid-in" core capital and NKr800m in state guarantees of which NKr260m is in cash.

The ordinary capital of Den norske, the biggest bank, has been wiped out by losses, and its ordinary shares are to be written down to zero.

Den norske's three biggest shareholders at end-October included the county employees' pension fund with a 12 per cent stake, Vital Forsikring, the big insurance group, with 8.9 per cent, and the national pension fund with 7.2 per cent.

Den norske is to receive NKr1.5bn in preference capital and a guarantee of NKr600m. This means the state's shareholding in the bank will rise to 70 per cent from 55 per cent.

The bank said operations would be streamlined further in 1993 and assets reduced by NKr7bn to NKr155bn. Costs would be reduced by 7 per cent, both in 1993 and in 1994.

Christiania Bank, the second biggest bank, will be supplied with core capital of NKr1.9bn of which NKr1bn will be in the form of new share capital after the current share capital is written down against uncovered nine-month losses. The remaining NKr900m will be in the form of a subordinated loan.

Bank Austria to raise Vindobona stake to 51%

By Ian Rodger in Zurich

Z-LANDERBANK Bank Austria, Austria's largest bank, is to raise its stake in the troubled securities house Vindobona Privatbank from 25 per cent to 51 per cent.

Bank Austria said the performance and image of Vindobona, set up by four young equity market specialists two years ago, had not lived up to its expectations.

Earlier this year, Mr Michael Margules, one of its founders, was charged with money laundering in the US. In August, the Austrian fraud police opened an investigation into the part played by some Vindobona employees, including Mr Michael Lielacher, the chief executive, in issues of shares of Hungarian companies two years ago.

A Bank Austria spokesman said Vindobona's profits this year were likely to fall 20 per cent below the expected Sch90m ($8.04m) to Sch100m level.

The plan is that the founding executives, who own 40 per cent of Vindona, will agree at a shareholders' meeting on December 3 to sell part of their holdings to Bank Austria, lifting its stake to 51 per cent.

Mr Lielacher confirmed that he would stand down as chief executive, and Bank Austria said it would be installing its own managers.

Air France FFr2.7bn in the red

By Alice Rawsthorn in Paris

AIR FRANCE, the French state-owned airline, yesterday disclosed a bigger-than-expected net loss of FFr2.7bn ($500m) for the first nine months of 1992 amid stormy scenes in Paris as employees demonstrated against job cuts.

The board also yesterday gave final approval to the proposed merger between Air France and UTA, another French airline. The merger, following which the UTA businesses will represent two-fifths of the new group, will take effect from December 29.

The merger has triggered a cost-cutting drive at Air France involving the loss of 1,500 jobs. The group's employees yesterday staged strikes and stoppages in protest against the cuts, resulting in the cancellation of some flights.

More than 2,500 demonstrated outside the group's headquarters, chanting slogans against Mr Jacques Attali, its chairman, and Mr Jean-Louis Blanco, France's transport minister.

Air France, which, like other international airlines, has been affected by the economic slowdown, had originally anticipated net losses of FFr2.5bn for the first nine months of this year. The outcome was slightly worse than expected, prompting the board to forecast overall losses of FFr4bn for the full year, with consolidated losses of FFr3bn on sales of FFr57bn.

Carlsberg registers 5% improvement

By Margaret Dolley in Copenhagen

CARLSBERG, the Danish brewer, yesterday announced a rise of 5 per cent to DKr1.36m ($219.4m) in pre-tax profits for the year to September 1992. The result was achieved despite exchange losses and reduced customer spending in many main markets.

Overall group turnover improved marginally to DKr14.95bn from DKr14.46bn the previous year. Beer sales fell slightly to 21.3m hectolitres.

Carlsberg said the overall UK market had shrunk and uncertainty about the proposed merger with Allied Lyons had not provided the best stimulus.

The group was uncertain whether it could achieve the same comparatively high level of earnings in 1992-1993.

Mannesmann warns of nine-month profit fall

By David Waller in Frankfurt

MANNESMANN, the German engineering company, yesterday warned that profits in the first nine months of the year were "considerably lower" than in the same period last year, despite the fact that sales, including acquisitions, rose by 18 per cent to DM19.18bn ($11.9bn).

Without giving any concrete profit figure, Mannesmann blamed the profits fall on a number of factors, including the state of the economy, restructuring costs, lower income from financial dealings, the decline in earnings from trading, and the costs of building up its mobile telephone operations.

The company said profits in the trading division were severely hit by the downturn in steel and pipes markets, but the result in this area was still positive. The downturn in the market for capital goods had hit demand for plant and machinery, but the result was still "clearly positive" and, in the circumstances, satisfactory.

The group's Brazilian operations were likely to break even this year after two years of losses. Operating profits in the group's automobile technology business improved, but restructuring costs meant that this area made a net loss – but less than in the same period last year.

Stripping out the effect of acquisitions, sales would have risen by just 1 per cent, the company said.

At the interim stage, Mannesmann surprised the market by reporting first-half net profits down 89 per cent to DM15m from DM134m.

IBM shifts strategy with client-server computing

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines announced a worldwide initiative to promote client-server computing, the rapidly-growing sector which uses multiple computer systems distributed around corporate networks.

The move reflects a significant strategic shift for IBM, away from its traditional view of mainframe-based data processing.

IBM has formed a new business unit, reporting directly to Mr Jack Kuehler, IBM president, to focus on client-server products and strategies.

IBM also announced plans to open several client-server customer centres around the world.

More than 900 employees, most of them programmers, have been reassigned to the new unit. Its role will be to help IBM's product units to co-ordinate the delivery of integrated client-server systems. The unit will also develop new products.

Client-server computing, often called the next wave of computing, is rapidly gaining acceptance, making it one of the fastest growing segments of the computer industry.

The concept of client-server computing is to distribute computer power and computing tasks throughout all of the systems linked to a network, whether they be personal computers (PCs), workstations, mid-range computers or mainframes.

Jack Kuehler: shifts IBM's strategic focus

Dozens, or even thousands, of workstations or PCs, known as clients, can access information and software from a more powerful server computer or from other clients.

This contrasts with the traditional data processing model with a centralised mainframe or minicomputer hub, surrounded by terminals, or more often today by desktop PCs.

Client-server computing is widely seen as a challenge to IBM's flagship mainframe computer products.

Makers of workstations and PC servers promote the idea of downsizing computer systems, by replacing mainframes with cheaper PC and workstation-based networks.

Although IBM is a leading supplier of PCs and workstations, and portrays itself as a leader in client-server computing, it has always defended its traditional computing model, while maintaining that even in client-server systems mainframe computers have an important role to play.

With the formation of its client-server business unit, IBM appears to be acknowledging, for the first time, that the trend toward downsizing represents a significant challenge to its mainframe business.

Rather than trying to beat back the trend, IBM will join it.

IBM will redouble its marketing efforts at customer centres which will showcase client-server systems based on IBM and non-IBM products, and help customers assess and pilot test client/server solutions tailored to their needs.

The new unit will be supervised by Mr Tom Furey, former head of IBM's software development laboratory in Santa Teresa, California.

Varity posts modest profit in third period

By Bernard Simon in Toronto

A STRONG improvement in automotive parts sales helped Varity, the industrial and farm equipment maker, post a modest third-quarter profit.

Kelsey-Hayes, Varity's automotive components subsidiary, reported a 23 per cent improvement in operating earnings and a 7 per cent rise in sales. The improvement was due to relatively strong demand for light trucks in North America, where K-H has a high share of the market for wheels and anti-lock braking systems.

Varity, which is based in Buffalo, New York, posted net earnings of US$10.5m, or 23 cents a share, in the three months to Oct 31, compared with a $17.8m loss, or 91 cents, a year earlier. The latest figures include a foreign exchange loss of $6.4m, following a $2.3m gain a year earlier.

Sales climbed to $844m from $759m. The bulk of the increase came from a one-third rise in sales at Perkins, the diesel-engine maker, where business was hit by a four-week strike in the third quarter of 1991. Perkins turned a 1991 operating loss of $6m into a profit of $7m for the latest quarter.

In spite of the decline of the world farm machinery market, Massey Ferguson recovered to a $7m profit from a $7m loss on a 6.4 per cent rise in sales.

Varity's long-term debt dipped to $795.6m on October 31 from $864.2m.

Kodak sells credit arm and two of its information subsidiaries

By Nikki Tait in New York

EASTMAN Kodak, the world's biggest producer of photographic equipment, yesterday announced a series of disposals. Kodak's Atex subsidiary, which make computer systems for newspapers, is being sold to a British entrepreneur; Estek, which produces cleaning and inspection equipment for the semiconductor industry, is being bought by ADE Corporation, based in Massachusetts; and Kodak's credit facility is being purchased by GE Capital, part of the General Electric group.

The Atex and Estek disposals were foreshadowed in July, when Kodak said that it planned to dispose of 10 lines of business, primarily in its information division. Although the businesses were not individually identified, Atex and Estek were known to be among those up for sale.

The purchaser of Atex is an investment consortium headed by Mr Danny Chapchal, a British businessman. Mr Chapchal, a trained accountant, heads SQL Systems International, a Surrey-based management systems software company.

He was originally invited into SQL by a group of venture capital firms to help stem its losses. Mr Chapchal said yesterday that the same group of institutions – which includes Euroventures Benelux and the South Yorkshire Pension Authority – were backing the Atex deal.

"I see this as a major opportunity in a market I know extremely well," said Mr Chapchal, although he declined to comment in detail on future plans for the business.

Atex was founded in 1973, acquired by Kodak in 1981, and supplies electronic pre-press systems to about 900 users, including The Times in the UK, The New York Times, The Jerusalem Post, and Fortune.

Atex has recently been embroiled in the controversy over whether the design of computer pre-press equipment has caused repetitive strain injury among users. A number of damage claims are outstanding against the company.

Yesterday, however, Mr Chapchal said that "the purchasers [of Atex] are not assuming any RSI liability". He declined to discuss details of the purchase agreement.

No price was disclosed in the other deal in Kodak's information systems business, the disposal of Estek to ADE Corporation. Estek was formed in 1986, and employs around 60 people at its Charlotte plant.

The third transaction, the sale of the credit operations to GE Capital was not foreshadowed in July. The credit business was established in 1986 and is designed to provide long-term financing to customers purchasing Kodak equipment. It currently provides financing to over 12,000 clients, and has assets of around $1bn.

GE Capital, a financial services institution with assets of over $80bn, is acquiring the Kodak subsidiary's stock but will operate the business under the Eastman Kodak Credit Corporation name.

NYSE firms slightly lower at $802m

By Patrick Harverson in New York

THE 312 securities broking and marketmaking member-firms of the New York Stock Exchange that do business with the public yesterday reported profits of $802m for the third quarter.

In the comparable nine months last year, NYSE member-firms earned $2.66bn.

Although earnings were slightly lower than the $842m made in the same quarter of 1991, and well below the $1.14bn recorded in the second quarter of this year, the record $3.31bn in profits the firms have racked up since the beginning of this year indicate that the explosive growth in business enjoyed by Wall Street since 1991 shows little sign of fizzling out.

In spite of the strength of year-to-date earnings, a slowdown in stock underwriting business, especially of initial public offerings (IPOs), and turmoil in the European currency and bond markets, which left some firms with gains but others nursing losses, contributed to the overall decline in profits during the quarter.

The NYSE's specialists – the firms that make markets in stocks on the exchange's trading floor – reported a 22 per cent increase in third-quarter profits to $18m, thanks primarily to an increase in trading activity.

Setback for US mill purchase

By Karen Zagor in New York

TOKYO Kyoei Steel, a medium-sized Osaka steelmaker affiliated to Sumitomo Metal Industries, has suffered a setback in its plans to buy Florida Steel, a US minimill, after only 54 per cent of bondholders responded to Florida Steel's buy-back offer.

Kyoei's $343m offer for Florida Steel was contingent on 90 per cent of the debentures being tendered. Kyoei has halted its efforts to raise financing until a sufficient number of debentures are tendered.

Either party can terminate the deal if it is not closed by December 15.

Florida Steel has extended its cash tender offer of $125m, the principal amount of the outstanding 14.5 per cent subordinated debentures due 2000, to mid-December.

Kyoei's attempts to acquire FLS, parent of Florida Steel, has been rife with problems. Several lawsuits were filed by preferred shareholders who were riled by an offer of only $24 a share in cash for stock with liquidation value of $53 a share. Subordinated debt holders were widely expected to accept the offer of par plus accrued. The Securities and Exchange Commission is conducting an "informal inquiry" into some of Florida Steel's financial statements.

Florida Steel's problems stem from a $377.8m leveraged buy-out in 1988. The company has been unable to service its $289.9m of debt and defaulted on its bank loans and subordinated debt.

Kyoei has offered to assume all of Florida Steel's debt. Common shareholders will receive $30.072 a share.

Upjohn forms marketing link

By Paul Abrahams

UPJOHN, the US pharmaceuticals group, and Boehringer Ingelheim of Germany, have agreed to develop and market four compounds discovered by the German drugs group.

The compounds are all designed to treat central nervous system disorders in which Upjohn has considerable expertise.

By co-developing the products with Upjohn, Boehringer will increase the likelihood and speed of licensing in the US, the world's largest market.

French retailer FNAC up 9.4%

By Alice Rawsthorn in Paris

FNAC, one of France's largest retailing groups, bucked the sluggish economic environment by achieving a 9.4 per cent increase in net profits to FFr156m ($28.9m) for the year to August 1992.

The group, which is chaired by Mr Jean-Louis Pétriat and controlled by the GMF insurance group, has for decades dominated the French market for "cultural" retailing with its record and book shops.

However, in recent years it has faced fierce competition from Virgin, the UK leisure group, which has opened megastores in France.

FNAC has retaliated by playing Virgin at its own game. It has accelerated its own expansion outside France and has opened its own megastores in France, culminating in the launch late last year of its opulent "Cathedral of Culture" on Avenue des Ternes in Paris, north of the flagship Virgin megastore on the Avenue des Champs-Elysées.

This competitive climate has affected FNAC's performance. The group mustered an increase in sales of 11.1 per cent to FFr8.25bn for last year.

But the slowdown in consumer sales, coupled with increased competition and the impact of FNAC's own FFr491m investment programme, meant that the growth in net profits was fuelled by a rise in exceptional earnings from property transactions. These increased from FFr80.5m to FFr107.8m.

The overall increase in net profits enabled FNAC to raise its dividend by 10.6 per cent to FFr26 for the last financial year.

Recovery in Ecu bond prices wiped out

By Tracy Corrigan

A GENTLE recovery in Ecu bond prices in recent weeks was wiped out yesterday after the devaluation of the lira and the peseta at the weekend undermined a gradual return of confidence.

Ecu bond prices fell a point on fears that European markets may have entered a further period of divergence – that is, that the gap between high-yielding and low-yielding markets is set to widen rather than narrow.

"The re-emergence of ERM tensions is a setback for the market: it means the Ecu is less likely to be the new European currency," said a trader.

Until this setback there had been increasing confidence that problems over the Maastricht treaty would be resolved within the framework of the European Monetary System.

However, the Ecu bond market has some support, determined by its value relative to theoretical Ecu yields (based on government bond yields denominated in component currencies). Dealers report buying interest when the margin of real Ecu bond yields over theoretical yields widens to about 40 basis points.

"In a sense, [Ecu bonds] are a cheap option on any hardening of the Ecu, as long as they are trading above their theoretical value," said Mr Robin Bowie, a director of Barclays de Zoete Wedd in charge of European bond trading.

After narrowing to 15 basis points last week, the spread had increased to 33 basis points by yesterday.

Meanwhile, the market's liquidity has failed to return, since the breakdown in the existing market-making system during the summer.

The issue will be discussed at the end-of-year meeting of the International Securities Market Association Ecu subcommittee on December 4.

"I expect a strong vote in favour of resumption of market-making with reasonable [bid/offer] spreads," said Mr David Ovenden, Ecu product manager at J.P. Morgan, who chairs the committee.

INTERNATIONAL COMPANIES AND FINANCE

Arnotts threatened with legal action

By Kevin Brown in Sydney

CAMPBELL Soup, the US food group, yesterday threatened legal action to force the board of Arnotts, the Australian biscuit company, to drop a key plank in its defence against a hostile takeover bid.

Campbell, which is offering A$3.80 a share for the 17.2 per cent of Arnotts it requires for majority control, also sought permission from the Australian Securities Commission to extend its bid.

Campbell's bid values Arnotts at A$1.2bn (US$857.1m).

The group would spend only A$306m to gain control of 50.1 per cent of Arnotts' shares, but has offered to buy all the 67.1 per cent of the shares it does not own.

Arnotts' main defence is a 1985 agreement signed by the two companies when Campbell took a friendly 32.9 per cent stake to help protect Arnotts from a hostile bid by Mr Alan Bond, the former Australian entrepreneur.

Arnotts claims the agreement gives the board the right to prevent Campbell exercising majority voting rights or appointing a majority of directors unless the US group acquires more than 85.1 per cent of the shares.

Mr David Johnson, Campbell chief executive, challenged Arnotts' interpretation of the agreement in a strongly worded letter sent to all Arnotts' directors at their home addresses.

Mr Johnson said Arnotts' interpretation was "flagrantly contrary to Australian law and public policy" and "prejudicial to shareowner interests because it is intended to interpose the existing board between the bid and the shareholders".

He also claimed the agreement was illogical and unenforceable, inconsistent with Arnotts' articles of association, and contrary to the rules of the Australian Stock Exchange, which generally requires voting rights to reflect ownership.

Mr Johnson said Campbell would have "no choice other than to commence appropriate court proceedings" if the board refused to acknowledge that its interpretation of the agreement was incorrect.

Campbell's bid is subject to approval from the Foreign Investment Review Board (Firb), which has been widely lobbied to reject the bid to prevent control of Arnotts from passing outside Australia.

The bid has also been criticised by Mr John Dawkins, the treasurer (finance minister), who will make the final decision on whether to allow it to proceed.

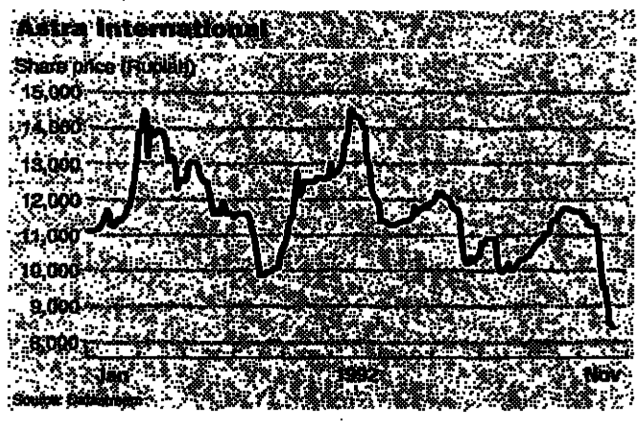
Mr Dawkins suggested that Arnotts had failed to keep promises relating to investment and marketing which were made to the Firb when Arnotts acquired its existing stake in 1985.

Astra awaits an uncertain future

William Keeling on shareholder changes at the Indonesian group

Astra International, Indonesia's second largest company, which dominates the country's automotive sector, has a reputation to protect. Brokers have repeatedly named it Indonesia's best managed company and, as of last June, foreign banks had afforded it loans and facilities of more than $900m.

A financial crisis, however, has hit the Soeryadjaya family, Astra's majority shareholders, with the recent suspension of their privately-owned Bank Summa carrying bad debts of over Rp1,000bn ($487m).



To raise new finance, the family have sold 40m of their 178m Astra shares – or 74 per cent of the company's issued shares – and are expected to sell more, thereby losing majority control, before the end of the year.

Uncertainty over the company's ownership coincides with depressed car sales and a slump in profits from Rp210bn in 1991 to, brokers forecast, about Rp75bn this year. A declining share price has seen Astra's market capitalisation fall 41 per cent in five months to Rp2,034bn.

Since Astra went public in 1990 – about 13 per cent of the 242m issued shares are actively traded – it has been regarded as Indonesia's pre-eminent blue chip stock.

It sells more than half of Indonesia's vehicles and has the distribution licence for Toyota, the market leader. While the automotive sector accounted for 80 per cent of the company's Rp4,933bn 1991 sales, Astra also has agribusiness, financial services, heavy industry and electronics subsidiaries.

Comprising 10 per cent of the Jakarta stock market's total capitalisation, for many investors and bankers Astra is synonymous with Indonesia.

The current difficulties of Astra and the Soeryadjayas lie in a rise in interest rates in 1991 following a tightening of monetary policy in 1991. For Astra, this led to a sharp fall in car sales as consumer credit contracted.

Central bank officials say Bank Summa broke banking regulations by over-lending to private companies owned by the Soeryadjayas. These had invested heavily in real estate, the value of which subsequently dropped. High interest rates left the companies unable to service Bank Summa's loans.

Astra has minimal financial exposure to Bank Summa, its officials stress. To underline the separate nature of the businesses, in September Mr William Soeryadjaya, the company's founder, stepped down as chairman. He was replaced by Mr Sumitro Djojohadikusumo, a former finance minister and father-in-law of Siti Herijadi, daughter of President Suharto.

In the past two weeks, however, it has become clear Bank Summa's financial crisis will, as the Soeryadjayas attempt to cover its debts, have a direct effect on Astra's future.

On November 13, the Soeryadjayas sold two blocks of 20m shares to a pension fund of state-owned Bank Dagang Negara, – the bank to which the shares had previously been pledged against loans – and Newark of Hong Kong.

Brokers say the sale of shares to Newark was financed by Danareksa, an Indonesian state-owned investment fund. Hong Kong company records show Newark's two registered directors to be Soeryadjaya family members.

Astra says Newark will hold the 20m shares while negotiations with a foreign buyer are finalised, Toyota being the preferred party. It is not clear who now has authority over these shares.

The sale leaves the Soeryadjayas with about 138m Astra shares. Of these, businessmen close to the family say at least 129m have been pledged against loans.

They say 100m shares are pledged against a Rp500bn loan from a consortium of three banks led by state-owned Exim Bank. The other members are Bapindo, also state-owned, and Bank Danamon, a listed company.

Another 29m shares are pledged, the businessmen say, to Bank Universal, 51 per cent owned by Astra, against loans totalling up to Rp300bn. The Soeryadjayas declined to comment on these details.

While the family have taken these loans, the central bank say a September deadline to inject new money into Bank Summa was missed. A Rp150bn rescue package, backed by a consortium of private banks, last week allowed Bank Summa's small scale depositors to clear their accounts.

The next key date for Astra and the Soeryadjayas is end-December when, bankers say, the loan from the Exim Bank consortium matures. Unless this is repaid, the banks may take up the shares and look to on-sell them, with the state banks taking political advice.

Brokers say two businessmen have declared an interest in taking a stake: Mr Liem Sioe Liong, who heads the Salim Group, Indonesia's largest conglomerate, and is a close associate of President Suharto; and Mr Hashim Djojohadikusumo, son of Astra's new chairman.

An Astra executive acknowledged a potential conflict of interest for Mr Sumitro Djojohadikusumo, but said the chairman remained independent. An executive of the Salim Group, which is a shareholder in Indomobil, Astra's main competitor, declined to comment.

Bankers to Astra have expressed their concern, for as one European banker explained, "We would never have contemplated lending to Astra, if it were a Salim Group company."

In June, Astra had long and short-term debt of Rp2,456bn, giving a 1.54 debt to equity leverage. Bankers consider the choice of new shareholders critical to Astra's future financing and question whether changes in the company's ownership may be sufficient to affect the status of their existing loans.

Astra says no foreign loan has a provision requiring the Soeryadjaya family to maintain a majority holding. Its aim is "to see that no one party holds a majority, so Astra can be a fully public company," explained one Astra executive.

But he conceded the company has little control over who the new shareholders will be, and acknowledged Toyota is unlikely to purchase the Newark-held stake until other shareholders are finalised.

The choice of shareholders is now "a national matter" and "in the government's hands," the executive noted. Those looking for part of the Soeryadjaya stake will be knocking on the doors of government ministers.

CSR ahead 14% for the half

By Kevin Brown

CSR, the Australian sugar, aluminium and building products group, yesterday reported net profit for the six months to the end of September of A$125.4m (US$85.6m), an increase of 14 per cent on the comparable period of the previous year.

The group also forecast a full-year net profit of A$200m before abnormal items, compared with A$175m in 1991-92. Revenue increased by 7 per cent to A$2.4bn.

Mr Ian Burgess, managing director, said it was "pleasing" to report an improvement in CSR's performance after two difficult years. He said there were four main reasons for the improved result:

- A return to profitability by CSR's timber products businesses after two years of losses;
- Record raw sugar production by the group's mills;
- Productivity improvements and cost savings of about A$20m before tax; and
- A reduction in net interest expenses from A$55m to A$50m.

The gains were offset by lower profit margins for refined sugar in Australia and New Zealand, and lower prices for many of the group's building and construction materials.

Mr Burgess said the group remained financially strong in spite of the "difficult trading environment" caused by slow economic growth in the group's main markets in Australasia and North America.

"It is a good result, especially as the recovery of the US and US economies has been so slow and patchy. In addition, world sugar and aluminium prices were only marginally higher than in the same period last year," he said.

Mr Burgess said net profit before abnormal items for the full year should exceed last year's level. "From the perspective of today, a profit above A$200m seems likely," he said.

CSR reported a net loss of A$385m last year after writing down asset values by A$558m following a dispute with the Australian Securities Commission on the accounting treatment of the write-down.

The directors maintained the interim dividend at 10 cents a share, fully franked. The shares closed up 16 cents at A$3.63 on the Australian Stock Exchange.

NZ reforms help PDL triple profits

By Terry Hall in Wellington

PDL Industries, the New Zealand electrical goods maker, more than tripled net profits to NZ$6.42m (US$3.37m) in the six months to September 30, from NZ$1.99m a year earlier.

Sir Robertson Stewart, chairman, said the recovery in the company's fortunes was due to New Zealand's economic reforms which he had staunchly opposed.

PDL has become one of the New Zealand stock market's best performers. Its shares began the year at NZ$2. On Friday they rose 70 cents to NZ$11.20 on expectations of a good result, and closed at NZ$11 yesterday.

Sir Robertson said the company was benefiting from a changed economic environment.

He praised the government for removing import protection and implementing tough new anti-labour laws.

He said PDL would concentrate its expansion programme on a plant in Malaysia which should be operating next year. The plant's production would be sold to the south-east Asian market. The remainder of capital spending would go on upgrading New Zealand factories, he said.

Sales fell to NZ$116m from NZ$127m following the sale of subsidiaries related to its associate company Lasercorp. Export sales rose 52 per cent to NZ$15.6m. Lasercorp had turned the profits corner, Sir Robertson said. It returned to the black with net profits of NZ$1.05m for the six months to September, against losses of NZ$4.9m.

MAS plans reorganisation

MALAYSIA Airlines (MAS) has announced a reorganisation of its operating structure, writes Kieren Cooke in Kuala Lumpur.

The national carrier's domestic and international operations are to be separated in various key areas, in particular in marketing and sales. A considerable staff reorganisation is also underway.

MAS says the new structure will help it meet "current and future challenges." MAS has also given details of its 5.5 per cent increase in pre-tax profits to M$153.46m (US$61.2m) for the six months to end-September.

Included in the profit figure was M$139.5m gained from the sale of two B737-200 and two DC10-30 aircraft.

M-Net declines to R13m

LOSSES suffered in the European associate of M-Net, the South African pay television company, offset a sound domestic performance causing attributable earnings to fall by 36 per cent in the six months to the end of September, writes Philip Gawith in Johannesburg.

Turnover rose by 29 per cent to R353.2m ($121.7m) from R274.4m a year earlier and net profits were 43 per cent higher at R22.1m, against R15.5m.

M-Net's share of losses incurred by associated companies, however, amounted to R9.3m against none previously. This dragged attributable profits down to R12.8m from R15.5m in 1991.

A 29 per cent increase in the number of shares in issue – a R252m rights issue was concluded in January – further diluted earnings per share which fell by 36 per cent to 6.5 cents from 10.2 cents.

Mr Ton Vosloo, chairman, attributed the improvements in turnover and profits to advertising revenues remaining firm, despite the recession and continuing growth in the subscriber base.

He said that the losses by associate companies were attributable to the strategy of restructuring and aggressively growing FilmNet, the European pay television company. M-Net was part of a consortium, led by Richemont, the Swiss tobacco and luxury goods group, that bought FilmNet in November 1991.

M-Net has an effective equity stake of 45 per cent in FilmNet.

Currency worries dominate after ERM realignment

By Sara Webb in London and Patrick Harverson in New York

CURRENCY worries dominated the European government bond markets yesterday in the wake of the weekend realignment of the European exchange rate mechanism.

Investors flocked to the D-Mark block bond markets in the hope that the Bundesbank would allow an easing in German interest rates to relieve strains within the ERM.

GOVERNMENT BONDS

Meanwhile, some of the weaker European currencies – including the Irish punt, Danish krone and the French franc – came under pressure in the foreign exchange markets. Interest rates in Ireland, Spain and Norway were forced up and the high-yielding government bond markets fell sharply.

■ GERMAN government bonds surged at the opening on hopes that the Bundesbank would lower interest rates to ease the tensions within the ERM.

Economists predict that the weaker European currencies will continue to come under speculative pressure – despite the weekend 6 per cent devaluation of the peseta and escudo – *unless the German central* bank lowers domestic interest rates.

Dealers said investors focused on the German market because the lira devaluation in September was accompanied by cuts in key German interest rates.

"The EMS realignment was seen as good news for bunds, but as it became apparent that a rate cut was not imminent, there was a sell-off in the bund market," said one dealer, and the market closed slightly lower on the day. The Liffe bund contract traded around 91.50 by late afternoon, having been at a high of 91.70.

Traders said the market would focus on the Bundesbank's repo operations this week, watching for an easing in interest rates.

■ MOST of the high-yielding European government bond markets fell yesterday following the ERM realignment, reflecting concern that currency strains are likely to persist without a cut in German rates.

Among the Scandinavian markets, Denmark showed a sharp drop in prices yesterday, losing over a point as investors switched into German bunds. Economists believe that Denmark will be able to resist a devaluation, having raised interest rates on Friday to defend the currency.

Sweden, which severed the link between its currency and the Ecu last Thursday and allowed the krona to float freely, saw some profit-taking yesterday. The decision to float the *krona prompted a rally in* the Swedish government bond market at the end of last week and the yield curve switched from negative to positive. Dealers said investors took some profits yesterday, and the yield on the bond due 2003 rose to 10.41 per cent at the end of trading, against 10.29 per cent at Friday's close.

Mrs Anne Wibble, the Swedish finance minister, yesterday *ruled out rapid cuts* in interest rates because of the high inflation risk.

■ SPAIN, which devalued by 6 per cent at the weekend and raised interest rates by 75 basis points yesterday, witnessed a one and a half percentage point drop in bond prices as the market digested the news.

The Bank of Spain raised its key money rate from 13 per cent to 13.75 per cent and the 10-year 10.30 per cent bond fell from Friday's close of 88.45 to 87.05.

Dealers said the market would be focusing on this week's auction of Spanish government debt. The weekend decision to lift capital controls – which came into force dur*ing the September currency* crisis – is seen as a means of attempting to encourage foreign buyers to return to the bond market.

The government has a total financing need of Pta1,900bn for 1992, of which it has raised an estimated 23 per cent with the sale of treasury bills and bonds, according to one dealer.

■ FRENCH government bonds *tumbled on fears that the* French franc could come under pressure again in the foreign exchange markets.

Yields on short dated bonds showed a bigger increase than at the long end with the 8.5 per cent bond due 1994 closing at 8.27 per cent against 7.99 per cent at the opening.

■ IRISH gilts closed lower, reflecting the sharp rise in interest rates and concern over whether the Irish punt may be devalued.

The Central Bank of Ireland suspended its short-term facility rate of 13.75 per cent and replaced it with overnight advances initially at 30 per cent and one-week funds at 25 per cent. The 9 per cent gilt *due 2001 fell from* 95.25 at Friday's close to 93.50 late yesterday.

■ UK government bonds closed firmer as the gilt market remained relatively immune to the turbulence within the European markets due to the fact that sterling is outside the ERM.

Long-dated gilts ended firmer, but dealers warned that today's announcement of the details of the Bank of England's gilt auction is likely to put pressure on the market. The Bank will announce the amount and stock details today.

■ US Treasury prices eased slightly across the maturity range yesterday morning as dealers and investors posi*tioned themselves for the after*noon auction of two-year notes by the Treasury.

By midday the benchmark 30-year government bond was ¼ lower at 100⅞, yielding 7.548 per cent. At the short end of the market, the two-year note was 1/16 down at 99 1/16, to carry a yield of 4.659 per cent.

Prices opened lower, partly in the wake of weaker overseas bond markets and following newspaper reports suggesting that Federal Reserve monetary policy is on hold for the immediate future.

Although the market has been coming to terms with the idea that interest rates are unlikely to be cut again soon, yesterday's reports, emanating from senior sources close to the Fed, were regarded as final *confirmation that the mone*tary authorities are happy to leave policy unchanged as the economic recovery gradually gathers pace.

FT FIXED INTEREST INDICES

	Nov 23	Nov 20	Nov 19	Nov 18	Nov 17	Year ago	High *	Low *
Govt Secs (UK)	93.83	93.95	94.05	94.06	94.08	85.88	95.54	85.11
Fixed Interest	108.80	108.92	108.98	109.01	109.30	95.36	110.26	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 110.26 (12/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Nov 20	Nov 19	Nov 18	Nov 17	Nov 16
Gilt Edged Bargains	159.9	158.5	173.1	185.3	186.9
5-Day average	172.5	183.4	214.2	238.8	262.3

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.0532	-0.005	8.91	8.82	8.82
BELGIUM		8.750	08/02	104.5900	-0.020	8.04	8.08	8.14
CANADA *		8.500	04/02	101.7000	-1.500	8.23	8.02	7.90
DENMARK		9.000	11/00	99.5250	-1.175	9.08	8.72	8.87
FRANCE	BTAN	8.500	03/97	100.9575	-0.641	8.20	8.11	8.11
	OAT	8.500	11/02	101.7700	-0.830	8.23	8.08	8.18
GERMANY		8.000	07/02	104.4600	-0.020	7.33	7.43	7.31
ITALY		12.000	05/02	94.2750	-0.245	13.60†	13.40	13.94
JAPAN	No 119	4.800	06/99	101.6027	0.260	4.46	4.55	4.69
	No 145	5.500	03/02	105.5282	-0.001	4.65	4.64	4.78
NETHERLANDS		8.250	08/02	105.2900	+0.090	7.45	7.58	7.57
SPAIN		10.300	06/02	86.6500	-1.575	12.78	12.38	12.32
UK GILTS		10.000	11/96	108-15	-5/32	7.20	7.20	7.16
		9.750	08/02	109-30	+2/32	8.37	8.32	8.29
		9.000	10/08	102-08	+2/32	8.72	8.72	8.62
US TREASURY *		6.375	08/02	98-18	-5/32	6.66	6.68	6.77
		7.625	11/22	100-28	-3/32	7.55	7.59	7.60
ECU (French Govt)		8.500	03/02	97.6700	-1.435	8.87	8.74	8.71

London closing. *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

BZW lifts profits from dealing in sterling bonds

By Richard Waters

THE sterling bond business of Barclays de Zoete Wedd, the securities arm of the UK clearing bank, last year made profits of £25.7m ($39m), or more than half of total profits reported by gilt-edged market makers for 1991.

BZW's results, up from £13.4m the year before, were particularly notable given the decline in profits at several of the other highly profitable gilts firms.

Most marketmakers contacted yesterday said that results for 1992 would be significantly better than last year, suggesting that their overall profits would be well up on the £49m they made between them in 1991.

The profit figures are not directly comparable: taken from official returns to Companies House made by Gilt-Edged Market Makers, which operate as separately capitalised companies, some of the results include activity in Eurosterling and even marketmaking in Ecu. It is thought that most banks include Eurosterling in these companies, given the lighter capital regime under which they operate.

Mr Stephen Rumsey, of BZW's gilts business, said the increase reflected an upturn in business across the board, and not the effect of substantial position-taking. "We're not a house that goes for really big swings in the market," he said. Of this year, which has seen greater issuing activity in sterling, he said: "We're very happy with 1992."

Other houses to record an upturn in profits included UBS Phillips & Drew, which returned £7.5m after a loss of £0.8m the year before, and Goldman Sachs, where profits were up from £0.6m to £5.3m. NatWest, meanwhile, turned a loss of £3.2m into a profit of £1.7m.

Some of the most profitable houses in 1990, meanwhile, recorded a sharp fall in profits in the following year. Greenwell Montagu, one of the biggest gilt marketmakers, recorded a fall in profits from £8.6m to £3.5m. Mr Mike Higgins, head of Greenwell, said: "Profits fluctuate all the time. We are marketmakers to a lot of large institutions all day, every day, all year. That leads to fluctuations in our profits."

He said that Greenwell had been profitable every year since Big Bang apart from one, adding: "Our profit for 1992 is substantially more than 1991."

Lehman Brothers recorded a fall from £9.3m to around £3m in 1991.

Goldman Sachs gets to work on BT debt restructuring

By Brian Bollen

ON A DAY which saw the launch of just two new issues, Goldman Sachs' restructuring of the British Telecom debt it bought last week went under the microscope. The rationale behind the restructuring is that, with a 12¼ per cent coupon, the bonds would trade substantially above par in current market conditions, deterring many investors.

INTERNATIONAL BONDS

Goldman put the debt, which *matures in 2003, into a special pur*pose Cayman Islands vehicle which is issuing depositary receipts giving the holder the right to the payments arising from the coupon and/or principal.

To make it more marketable, Goldman stripped the coupon from the principal to create a total of 22 separately-priced smaller zero-coupon issues, largely made up of 21 semi-annual interest rate payments worth £11m each. The one £180m repayment of principal was priced at 40.74, a spread of 55 basis points over comparable gilts.

Investors are effectively buying future cash-flows offering a pick up over gilts and a leveraged exposure to the bond market. A 10-year dis*counted zero in a rising market will* move as much in price as a full coupon bond.

Goldman, which believes sterling interest rates have further to fall, says the restructured debt is perfect for investors who are bullish on UK interest rates but less certain on sterling. Stripping is likely to remain a pretty specialised technique in the UK, given the difficulty in getting the right quality paper at the right price in the right amounts.

With the positive yield curve environment today, the zero coupon approach will give 20 basis points differential in yield, according to one banker. The beneficiaries of the extra value unlocked are Goldman, the *investors, and the UK Treasury.*

By the close of play, Goldman reported it had sold around two-thirds of the total face value, split equally between the principal and the coupons.

Goldman's pricing highlighted again the difficulties in choosing the right benchmark to use. Picking the right gilt is made more difficult than usual in this instance as a 10-year zero-coupon bond has the same effective duration as a 25-year full coupon gilt and should be priced accordingly, say traders.

Meanwhile, some French traders were less than enthusiastic about the timing of the European Investment Bank's FFr1bn reopening of an exist*ing issue. While there was no criti*cism of the terms or the amount, the atmosphere in Paris was not really favourable for new issues, they said, given the weakening of the French franc against the D-Mark and the widening of spreads between German and French 10-year government bonds.

Despite the bearish tone, the spread of 20 basis points over the OAT on the new tranche compares with a launch spread of 34 on the original issue. Others said they were not afraid of taking a position in a good issue at a good price for a quality credit while clients rediscovered their buying appetite. African Development Bank will price today a DM300m five-year bond at 43 basis points over German *government bonds.*

Morgan to shift some Swiss business to London

By Ian Rodger in Zurich

MORGAN Guaranty Trust, the leading US bank, is shifting its market making in Swiss franc foreign exchange and forward rate agreements (FRA) from Zurich to London.

The move is another blow to Zurich's status as a financial centre. Morgan is by far the most active foreign bank in these markets in the Swiss financial capital, exceeded only by the big three Swiss banks.

"The trend to London will be underlined by our move," Mr Karl Preisig, managing director of Morgan's Zurich branch, *admitted.*

Mr Preisig said the decision was prompted by the need to save money and by the declining level of activity in Zurich. Most foreign banks have already given up interbank trading there and even the big Swiss banks have shifted a large part of their trading to London, he said.

The shift will affect seven of Morgan's 150 staff in Zurich. Six are moving to London and the other is being reassigned within the bank. Mr Preisig said Morgan would continue to make markets in Zurich in local products and was strengthening its contacts with *Swiss customers.*

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on November 23

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	7	54	18
Other Fixed Interest	3	3	9
Commercial, Industrial	267	249	905
Financial & Property	202	86	515
Oil & Gas	20	10	54
Plantations	1	0	8
Mines	32	30	82
Others	72	17	27
Totals	604	449	1,618

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. [illegible] Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. [illegible] Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. [illegible] Unlisted securities market. [illegible] Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

LIFFE EQUITY OPTIONS

[illegible]

23 November Total Contracts 22,152
Calls 15,258 Puts 6,994
FT-SE Index Calls 6,047 Puts 3,181
Euro FT-SE Calls 226 Puts 140
*Underlying security price. † Long dated expiry months
Premiums shown are based on closing offer prices.

TRADITIONAL OPTIONS

● First Dealings	Nov. 23	Calls in Alphameric, Arcon Intl. Res., ASDA, Babcock, Betterware, Birse, D.C. Cook, Ferranti Intl., Inchcape, Mid-States and Regalian Props. Double in ASDA.
● Last Dealings	Dec. 4	
● Last Declarations	Feb. 25	
● For settlement	March 8	

3-month call rate indications are shown in Saturday editions.

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited.

The FT-Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 Indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

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FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Mon Nov 23	Day's change %	Fri Nov 20	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	128.65	-0.04	128.70	2.28	10.99
2	5-15 years (25)	145.59	-0.03	145.63	2.53	11.85
3	Over 15 years (8)	152.31	+0.07	152.20	2.75	10.57
4	Irredeemables (6)	170.21	-0.42	170.93	0.95	13.45
5	All stocks (61)	142.24	-0.02	142.27	2.48	11.64
	Index-Linked					
6	Up to 5 years (2)	184.26	-0.06	184.37	0.57	3.68
7	Over 5 years (10)	167.11	-0.13	167.32	1.17	4.04
8	All stocks (12)	168.21	-0.12	168.41	1.09	3.96
9	Debs & Loans (62)	123.18	-0.14	123.35	2.62	10.48

AVERAGE GROSS REDEMPTION YIELDS

			Mon Nov 23	Fri Nov 20	Year ago (approx.)
	British Government				
1	Low	5 years	7.11	7.08	8.88
2	Coupons	15 years	8.25	8.25	9.70
3	(0%-7¾%)	20 years	8.52	8.51	9.70
4	Medium	5 years	7.45	7.43	10.02
5	Coupons	15 years	8.72	8.73	9.85
6	(8%-10¾%)	20 years	8.91	8.91	9.79
7	High	5 years	7.67	7.67	10.23
8	Coupons	15 years	9.03	9.00	9.93
9	(11%-)	20 years	9.11	9.09	9.84
10	Irredeemables (Flat Yield)		8.90	8.86	9.85
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.39	2.37	3.86
12	Inflation rate 5%	Over 5 yrs.	3.78	3.77	4.28
13	Inflation rate 10%	Up to 5 yrs.	1.57	1.54	3.22
14	Inflation rate 10%	Over 5 yrs.	3.60	3.59	4.09
15	Debs & Loans	5 years	8.85	8.86	11.62
16		15 years	9.91	9.89	11.43
17		25 years	10.10	10.07	11.24

هكذا صدر الأصل

Emap turns in 50% advance to £14.8m

By Raymond Snoddy

EMAP, the media group, yesterday announced a 50 per cent increase in pre-tax profits to £14.8m for the six months to the beginning of October.

Profits of the group, which publishes magazines and regional newspapers, runs exhibitions and has expanded into commercial radio, were boosted by disposal profits of £1m.

Turnover rose to £146.9m (£124.2m).

Despite June's £78m rights issue, Emap's net interest payable rose to £1.33m (£1.04m). It spent £26m on acquisitions and new launches during the half year.

Emap is raising its interim dividend from 2p to 2.075p, payable from earnings per share of 6.1p (4.3p).

Mr Graham Ross-Russell, the chairman who is retiring after 20 years on the board, said yesterday that investments made over three years were now showing useful profits.

"*With a strong* balance sheet, there will be many more opportunities to grow our business both through acquisitions and launches," Mr Ross-Russell said.

By far the largest slice of profits came from consumer magazines with operating profits up 13 per cent to £10.7m.

The circulation of established titles rose by 4.3 per cent compared with a market that *fell by 3.6 per cent*. Cover prices increased by more than 10 per cent.

Mr Derek Terrington, media analyst at stockbrokers Kleinwort Benson, said Emap was "a very successful magazine publisher. That's where the pleasant surprises keep coming from."

The other divisions, Mr Terrington said, were not so strong which meant that the group's profits were very dependent on magazines. Operating profit for newspapers and printing increased, however, from £3.9m to £4.5m.

Kleinwort expects pre-tax profits of £42m for Emap for the full year.

The results were achieved in spite of static advertising levels and flowed from cost reduction and tight cash control. The company said, however, that advertising now accounted for less than 50 per cent of total revenue.

"A recovery in consumer and business confidence will have a substantial impact on our revenue, but we are not expecting any improvement this financial year," Mr Ross-Russell added.

Mr Robin Miller, group chief executive, said yesterday the joint venture with Hachette to produce Elle in the UK was "a quantum leap" for Emap in terms of its visibility in the womens' magazine market.

The £4.55m acquisition of Local Government Chronicle in August could be one of Emap's best ever, Mr Miller said.

Carlton consortium poised to gain control of ITN

By Raymond Snoddy

THE Carlton Communications-led consortium last night effectively won control of Independent Television News, with the support of the news organisation's top management.

A final deal offered last week to ITN shareholders, at present the ITV companies, was accepted by companies holding 74.7 per cent of the shares.

As soon as the acceptances pass 75 per cent – and that *will only need the support of* any of the small ITV companies which have not yet been formally approached – the offer becomes unconditional.

The fundamental change in the ownership of ITN now seems certain to go ahead because Thames Television, which ceases to be an ITV company at the end of this year, has agreed to sell out for £14 a share.

At the same time Granada, Scottish and Anglia have agreed to join the consortium.

Granada, Carlton, Central, London Weekend and Reuters will each have 18 per cent with the 10 per cent balance held equally by Scottish and Anglia.

The consortium members are committed to raising up to £30m for ITN to tackle a £5m a year lease deficit on its London headquarters.

When Mr Michael Green, chairman of Carlton, takes over as ITN chairman the property problem is like to be at the top of his list.

The £14 a share offer will also be available to TVS and Television South West, two other departing ITV companies.

The other ITV companies will only get par for their £1 shares but the terms of a new supply agreement averaging £53.3m a year over five years will be smoothed out to help companies in the first year of the new franchises.

Yorkshire Television asked for and got a review of progress after two years.

It was concerned that ITV companies who were no longer shareholders in ITN would also benefit from any cost-savings.

Undertakings have also been given on editorial and managerial independence.

Under government legislation the shareholding of ITN will have to change again by the end of 1994.

By then 51 per cent of ITN has to be owned by non-ITV companies. The plan is to bring in a US broadcaster.

Going back on the acquisition trail

Richard Gourlay on BET's plans to move out of low-margin businesses

WHEN Mr John Clark arrived at the helm of BET, the business services company which was bleeding cash after a burst of rash acquisitions, he said a turnaround would take three years.

Half way through that period, this timetable is looking increasingly ambitious. The process of disposing of some of the 1,000 businesses bought in such haste in the late-1980s appears to be going slowly with only 18 sold and £81m of cash raised.

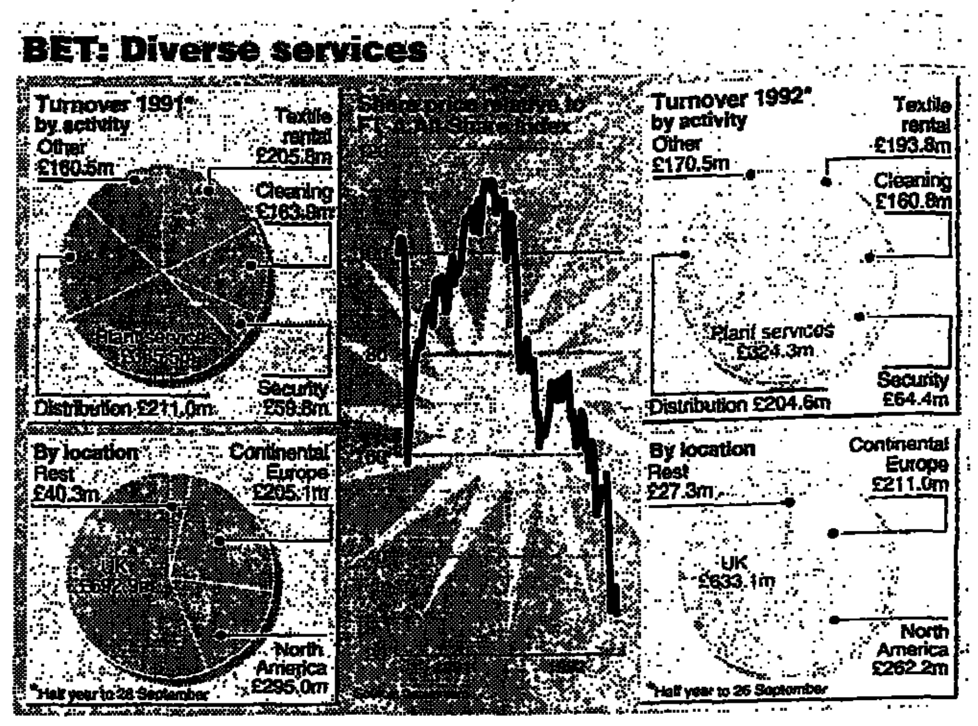
As a result, Mr Clark may move BET into its next phase of reorganisation – the acquisition of new service businesses that will give the company the chance to grow earnings – before it has sold the bad apples in the barrel.

Shareholders will, therefore, need nerves of steel a lot of patience. Yesterday, the business services company that aims to do its clients' chores while they concentrate on their core businesses, reported a 43 per cent fall in interim pre-tax profits to £40.5m.

That was not all. The share price is now 16 per cent below the 110p at which BET in July did its £200m refinancing rights issue, and the company is questioning if it can continue paying a dividend that is uncovered by earnings.

In the absence of any recovery in earnings – which Mr Clark appears to have ruled out yesterday – and assuming a cut in next year's dividend – which Mr Clark flagged as a possibility – BET's share price has significantly further to fall if its yield is to be maintained.

Nor are there many signs of hope on the trading front. The depth of the recession means that following £11m of exceptional reorganisation costs in the first six months, BET will face further "significant" exceptional costs in the current half.



What is perhaps as damaging to the share price is the sudden revelation that the company faces an ACT problem. While the definition of an ACT problem is left to directors' discretion, City observers were being told as recently as two months ago that there was no concern about a write-off of ACT.

In the absence of any economic turnaround there is, therefore, a need for acquisitions in the UK to produce more taxable profits. But again BET faces a problem.

BET realises it must diversify away from its dependence on the UK, which currently accounts for 56 per cent of sales – albeit only 21 per cent of operating profit.

As Mr Clark says, "The cash freed up from disposals can be used to improve BET's mix of businesses which is at present too exposed to the economic cycle and the UK economy."

From the point of view of the balance sheet, however, BET at least has greater room for manoeuvre. Thanks to the disposals and the rights issue, which repaid $380m (£251.6m) of auction market preferred stock, and continuing strong cash flow, gearing is heading in the right direction. After the recent disposal of Initial USA, at the high price of £42m, gearing is down to just 12 per cent.

While further quick disposals would increase BET's freedom of movement, the balance sheet is clearly in shape to move on to the acquisition trail.

Mr Clark says this, in itself, is quite an achievement. "We think we have put substantially behind us the financial strength question," he says. "Right now we are talking about what is the right mix of businesses to get earnings growth. That's a significant conversation to be having."

What BET is moving towards is a fundamental reallocation of assets away from low or negative margin businesses towards assets that will improve its growth potential.

The problem for shareholders watching this tricky balancing act is that very little is clear with BET. As Mr Clark told them yesterday, BET has more skeletons in its cupboard and there are still aspects of the business that still need to be changed; it is very difficult to forecast a tax charge or a level of provisions for reorganisation and it is difficult to see why the final dividend should be maintained – other than the proximity any cut would have to July's rights issue.

A consolation might be that Mr Clark has been there before. "This is the third turnaround I have done and they are always worse than you imagine," he says.

Anglo Irish held back by one-off charges

By Tim Coone in Dublin

THE DUBLIN-based Anglo Irish Bank Corporation reported a 13 per cent increase in pre-tax profits to I£7.34m (£6.75m) for the year to September 30.

Earnings per share, however, fell by 23 per cent to 5.09p as a result of a 1-for-1 rights issue which was completed in February.

Mr Sean Fitzpatrick, group chief executive, said that the bank had not had sufficient time since then to fully leverage the I£26.5m in new capital the issue provided, and that a number of one-off costs incurred during the year held back profit growth by a further I£1.1m.

Interest earnings on the new capital amounted to I£1.4m, while additional costs related to the aborted takeover of Hill Samuel Ireland (I£500,000), redundancy payments of I£400,000 in the bank's UK leasing business plus a further I£200,000 contribution to a compensation fund by an Isle of Man subsidiary relating to the BCCI collapse.

Mr Fitzpatrick said that the bank had performed well in its core Irish market, turning in a pre-tax profit of I£8.95m on a loan book up 46 per cent to I£513m.

The UK division reported a loss of I£1.61m, but risk assets have been reduced to 19 per cent of the group's total, down from 32 per cent two years ago.

"We have retrenched away from the UK market" Mr Fitzpatrick said, but added that the bank's long term strategy will continue to focus on its targeted middle-sector niche lending markets in both Ireland and the UK.

"We have taken the pain this year, and we have cleared the decks for growth in earnings next year" he said.

A final dividend of 2p is declared, making an unchanged total of 3.36p.

Acquisitive Danka rises 32% to £7m

By Peggy Hollinger

STRONG GROWTH in office equipment sales in the US helped Danka Business Systems, the highly-acquisitive US-based supplier quoted in London, to a 32 per cent advance in interim pre-tax profits to £7m.

The result was struck on sales 36 per cent higher at £74.2m for the six months to September 30.

Mr Paul Dumond, company secretary, said Danka had taken a deliberate decision not to increase the prices of machines such as photocopiers. The decision had affected gross margins in the retail business, but was expected to provide a longer-term benefit to the company's service and parts operation. This latter division provides the majority of the company's profits,

The retail operation increased gross profits by 47 per cent to £10.1m, while service, parts and rental advanced 26 per cent to £18.1m.

Mr Dumond said plans for a quotation on Nasdaq in the US were expected to materialise by January. However, no new shares would be issued.

Danka, which has purchased 35 companies in the US since being reversed into a natural resources shell in 1986, was seeking acquisitions in Europe. During the first half Danka had spent $15m (£9.9m) on six purchases. He said their contribution in the six months had not been significant.

The dividend is raised by 0.25p to 1.5p. Earnings advanced 25 per cent to 16.4p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allen	int	1.65	Jan 29	1.65	-	5
Anglo Irish Bank	fin	2	Jan 19	2	3.36†	3.36
BET	int	2†	Feb 2	4.25	-	6.5
British Invest	int	1.9	Jan 15	1.9	-	4.5
Cropper (James)	int	0.975	Jan 15	0.975	-	3
Danka Business	int	1.5	Jan 20	1.25	-	3.75
Diploma	fin	7	Jan 12	6.5	9.75	8.75
Emap	int	2.075†	Jan 8	2	-	7.5
Fenner	fin	2.5	Jan 29	5.1	4.2	8.55
Hewetson	int	0.5	Mar 31	1.6	-	2.6
Marling Inds	int	nil	-	0.3	-	0.3
Sth Staffs Water	int	15	Jan 4	13.4★	-	40.2★

Dividends shown pence per share net except where otherwise stated. †On increased capital. ★Pro-forma.

Amber Day chief received £1.13m pay-out

By Andrew Bolger

Amber Day has paid £1.13m in compensation to Mr Philip Green, who stepped down as the discount retailer's controversial chairman and chief executive in September.

Amber Day's annual report, published yesterday, also disclosed that Mr Green, who resigned after the group reported unexpectedly poor results, had seen his annual salary increase from £325,000 to £460,000 in the year to August 1.

However, Mr Green's pay rise is accounted for by a deferred bonus of £150,000 for 1990-91.

This year the group's pre-tax profits to August 1 fell from £10.1m to £7.5m – well below the forecast of at least £10.1m made as recently as mid-June, when analysts' expectations of £14m-£15m were downgraded.

The profits shortfall was the last straw for the City, which had seen Amber Day's shares collapse from a peak of 129p last November following a series of bear raids and newspaper stories about Mr Green's business associates and commercial deals.

Yesterday's annual report said the board had, in conjunction with the group's auditors, undertaken a careful review of of transactions initiated by Mr Green for the period of the accounts and up to his resignation on September 24.

The board said it was "*satisfied that all these transactions* were undertaken in the commercial interests of the group and is not of the opinion that any further provisions need to be made."

Mr David Thomson, temporary chairman and chief executive, said the board was actively seeking to appoint an independent chairman and at least one non-executive director as soon as possible.

Amber Day's shares yesterday *closed 2p lower at* 29p.

Allen shows 58% decline to £855,000

By Matthew Curtin

Allen, the Wigan-based construction and property development group, bore the brunt of the depressed property market and building business in the half-year to September, turning in a 58 per cent fall in pre-tax profit from £2.01m to £855,000.

Mr Donald Greenhalgh, chairman and managing director, said he was confident 1992-93 would prove to be the "bottom of the cycle" in the construction industry.

Although the industry could take heart from lower interest rates and other measures announced in the Autumn Statement, consumer confidence would be the key factor in any recovery in house sales and property prices, he stressed.

Turnover from the contracting, plant hire, housebuilding and property development divisions, whose operations were concentrated in the north-west, fell 20 per cent to £25.1m (£31.4m).

The downturn knocked margins, and operating profit fell to £1.38m (£2.44m).

Mr Greenhalgh said margins from houses, which contributed half of the operating profit, fell to 12 per cent compared with 13.1 per cent last year, and 16.7 per cent in 1990-91.

He added that the group did not need to make any provisions against the value of its land bank – which at £11,000 per plot was valued at a significant discount to the main competitors – because of its cautious approach to buying land in the past.

Earnings per share declined from 5.9p to 2.5p.

An unchanged interim dividend of 1.65p is declared and the directors expect to maintain the final at 3.35p.

Diploma shares jump 22p on 14% gain to £16.6m

By Peter Pearse

SHARES IN Diploma rose 22p to 344p yesterday as the electronics, building components and special steels group announced a 14 per cent profits increase from £14.5m to £16.6m pre-tax for the year to September 30.

This rise was achieved in spite of a £9.6m decline in turnover to £132.3m, though Mr Christopher Thomas, chairman, pointed out that the comparable figures contained turnover of £20.5m and profits of £500,000 from ECS and Access, no longer with the group. There was an extraordinary debit of £3.4m (credit £4.4m)

Interest receivable rose by £1.1m to £2.1m.

In electronics, profits grew to £8.4m (£6.2m) on turnover shrunk to £77.8m (£83m). The best performer was Macro, the active components distributor, which lifted turnover by 16 per cent to £45m against "a fairly flat market" where prices fell by a further 12 per cent.

The building components division, where profits only fell by £200,000 to £6m on reduced turnover at £43.4m (£45.2m), was largely carried by IG Lintels. Mr Thomas said that in three years, it had lifted its market share from 25 to 37 per cent.

The *steels* side was hit by uncertainty in the oil sector and general low investment in capital goods. Turnover fell from £13.7m to 11.1m and profits from £1.6m to £700,000.

A final dividend of 7p (6.5p) is recommended, making a total of 9.75p (8.75p), payable from earnings of 19.4p (17.3p) per share.

● COMMENT

With sound and, more importantly, motivated management the key to success, Diploma has again proved growth is possible whatever the circumstances. A cash pile almost unchanged at £26.3m, after spending £7.7m buying Anachem, a liquid chemical analysis systems distributor, gives Mr Thomas leeway to buoy up the smaller companies in the current economic storm. The stars were Macro and IG. The former's ability, through new products and an emphasis on service, to squeeze more from mature markets was impressive. Full-year pre-tax profits forecast range from £18.5m to £19.5m, giving a p/e of 15 to 15.9. The shares are fully valued, not likely to get cheaper, but a long-term stock.

Dwyer chief stands down

By Vanessa Houlder

Mr Desmond Bloom, chairman and chief executive of Dwyer, the loss-making property company, has resigned.

The new chief executive is Mr Joey Esfandi, who is chief executive of Winglaw, a private property company which owns 15.5 per cent of Dwyer. Mr Peter Andrews, a director of Winglaw, will also join the board. Mr Anthony Kirwan, a board member of Dwyer, has been appointed non-executive chairman.

James Cropper falls

James Cropper, the Cumbria-based paper and packaging group, reported pre-tax profits of £595,000 for the six months to September 26.

The outcome, from turnover little changed at £20.3m, compared with profits of £621,000 last time. Mr James Cropper, *chairman, said trading* remained difficult.

The interim dividend is held at 0.975p, payable from earnings of 4.8p (5.3p) per share.

Whitegate deeper in red

WHITEGATE *Leisure*, which operates in the leisure, healthcare and property sectors, announced a sharp increase to £2.95m in losses before tax for the eight months to August 31. In the preceding 12 months the group incurred losses of £1.09m.

Losses per ordinary share for the period were 10.2p against 4.2p for the whole of 1991.

There was a group operating profit of £626,000 (£3.78m) for the eight months but this was coverted into the deficit after a *French operating loss of* £645,000 (£372,000) and property losses of £19,000 (£97,000 profits). Healthcare made profits of £144,000 (£20,000).

*Mr James Oppenheim, chair*man, said improved trading results, disposal of the loss making French businesses – five of the six French discotheques were sold earlier *this* month – and lower interest rates should lead to improved results for the current year. The healthcare business is also to be sold shortly.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 24.11.92: Pool purchase price £/MWh	Final Prices for Trading on 27.10.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.02	18.93	18.93
0100	22.94	23.97	26.24
0130	23.87	23.97	26.23
0200	23.87	23.97	26.20
0230	23.87	23.46	25.65
0300	23.67	20.35	20.35
0330	20.80	18.93	18.93
0400	17.90	17.72	17.72
0430	17.82	17.72	17.72
0500	17.72	17.73	17.73
0530	17.72	17.93	17.93
0600	18.02	17.93	17.93
0630	18.02	18.93	18.93
0700	22.46	23.82	26.17
0730	23.18	24.51	28.77
0800	23.18	24.52	28.75
0830	26.46	24.77	28.90
0900	33.70	26.34	28.61
0930	33.24	26.39	28.86
1000	33.70	26.41	28.69
1030	33.70	26.38	28.64
1100	26.45	26.35	28.61
1130	29.47	26.35	28.61
1200	26.45	26.35	28.61
1230	29.47	26.33	28.58
1300	26.46	26.29	23.54
1330	23.95	21.94	21.94
1400	23.95	21.89	21.89
1430	26.46	21.89	21.89
1500	26.45	21.57	21.57
1530	23.24	21.59	21.59
1600	27.48	22.45	22.45
1630	33.25	31.03	31.03
1700	36.01	76.76	30.72
1730	36.21	93.68	108.42
1800	34.14	89.24	102.78
1830	30.60	53.50	60.79
1900	29.37	32.89	36.51
1930	27.97	28.63	31.15
2000	27.97	26.36	28.57
2030	23.24	26.26	28.44
2100	23.24	24.52	28.66
2130	23.07	24.51	28.57
2200	23.07	24.23	26.40
2230	22.47	24.21	26.40
2300	20.92	20.37	20.37
2330	18.03	18.93	18.93
2400	18.02	18.18	18.18

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.66/MWh becomes 1.866p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-466788 between 8.30am and 5.15pm Monday to Friday.

Security side behind ADT's 82% third quarter increase

By Richard Gourlay

ADT, the security and car auction group, yesterday reported an 82 per cent increase in pre-tax profits for the third quarter and a dou*bling of earnings* per *share*.

The Bermuda-based company which does much of its business in the US but retains a UK quote, increased pre-tax profits from $23m to $41.9m (£27.7m) on sales up 14 per cent at $336m.

Earnings per share rose from 15 cents to 33 cents. The share price jumped 40p to 500p.

Mr Michael Ashcroft, chairman and chief executive, said that in the absence of unforeseen circumstances, combined operating income from core vehicle auction and security systems for1992 should exceed the 1991 result.

The main operating increase was in the security division where profits rose from $27.9m to $37.2m. *The division benefited from* a high volume residential sales programme in North America and a reduction in *overheads as central* control stations continued to be consolidated.

The commercial security market was showing early signs of improvement in the US Midwest, south-east and west regions.

Operating profit in the auctions division was marginally up at $15.5m on sales almost unchanged at $80.2m. The division suffered from the decrease in manufacturers' vehicles sales in the US and a slow down in demand for used cars in the UK. ADT said there were indications that the downturn in the UK vehicle market had levelled out.

ADT's "other expenses less income" line moved from a net expense of $6.8m in the second quarter of 1992 to a net contribution of $600,000, due to what ADT called "the generation of $5.7m of operating income by the company's highly seasonal non-core activities". These *were expected to produce a small* operating loss in the fourth quarter.

Restructuring costs behind fall at Fenner

By Peggy Hollinger

THE COSTS of streamlining operations in the UK pushed *Fenner, the engineering group,* down by 26 per cent to £5.58m at the pre-tax level for the year to August 29.

Exceptional charges for redundancies and reorganisation came to £2.27m, pushing the UK business slightly into loss. The charges also off-set the slight advance at the operating level from £11.2m to £11.3m. Sales were 4 per cent down at £196.6m.

The operating gain was largely due to cost efficiencies. Over the last 18 months the company has cut costs by about £3m on an annualised basis in the UK.

Mr Peter Barker, chairman, said the results showed the extent to which the cost base had been cut back. "We have tailored the operations to today's level of demand," he said. "Notwithstanding the continuing recession, the underlying profit trend is more encouraging."

The power transmission business in the UK was operating profitably. Margins were helped by the transfer of sourcing to the Far East through Contimach, Fenner's Hong Kong company. The hydraulic and pneumatics operation had suffered in the latter part of the year, although order books were currently standing at record levels.

Mr Tom Brown, managing director, sought to ease anxieties over the proposed closures of several British Coal pits, customers of Fenner's conveyor belt business. In the worst case scenario, he said "it would be a kick in the shins, but not a total disaster". *British Coal* represented *less than* 7 per cent of total group sales, and any closures were expected to be offset by an increase in export business.

Profits were at a record high in South Africa. In India, the contribution had fallen as the economy began to slow following government measures to cut inflation.

Fenner cut the dividend, as foreshadowed at the interim stage, from 5.1p to 2.5p, for a total of 4.2p (8.55p). Earnings, depressed by a high tax charge including £600,900 on ACT, were 0.01p (5.47p). Excluding the exceptional charge earnings *fell* to 5.08p. Debt was reduced by £7.3m to with gearing of less than 40 per cent.

● COMMENT

Fenner came in above analysts' expectations, even with the exceptional charges. Yet even more encouraging was the decision not to cut the dividend more than was forecast at the interim stage. Business appears to be stabilising, and the full benefit of cost cuts *should feed through in the current year.* However, there are still uncertainties about the amount of profit which comes from politically unstable areas such as South Africa. Forecasts for the full year are for about £8m, with the group returning to a fully covered dividend. With a prospective p/e of some 15 times, last night's share price of 66p looks about right for the time being.

Clarke Hooper shares suspended

The severity of the recession in the marketing sector was highlighted yesterday as Clarke Hooper, the USM-traded sales promotion company, requested suspension of its shares pending the outcome of discussions over its future, writes Gary Mead.

The shares were suspended at 1¾p; three years ago they traded at 163p.

The group has been struggling with shrinking marketing and promotional expenditure by companies.

In July it recorded a pre-tax loss of £3.45m for 1991-92 compared with profits of £2.05m for the previous year. Turnover fell by 11 per cent to £44.5m.

National Grid in £100m investment

By Michael Smith

NATIONAL GRID, which manages the electricity system in England and Wales, yesterday outlined plans for an *initial £100m investment* in its planned telecommunications network as it disclosed a 7.3 per cent rise in interim pre-tax profits.

Mr David Jefferies, chairman, said that £100m had been earmarked for investing in the next 18 months on the alternative telephone network for large users.

Talks on potential collaboration on the project were in progress with three North American companies with marketing and networking experience.

However, Mr Jefferies warned against City expectations of rapid returns, saying that a market share of less than 1 per cent was likely in the first few years.

Approval for the project, Telecom Electric, was given last week by 12 regional electricity companies which own the National Grid Company.

At the same time it decided against flotation of NGC.

In the six months to September 30, the group made pre-tax profits of £261.6m, against *£243.7m in the corresponding* period of last year on a historical cost basis.

Turnover was £666.3m (£655m).

The interim dividend goes up 10.5 per cent at a cost of £42m, against £38m last time.

Some analysts believe the RECs are unlikely to go below this percentage rise when they fix their dividends this month and next.

Current cost operating profit of £179m, up 4.6 per cent, reflected an improved contribution from the pumped storage and interconnections business, offsetting a reduction in transmission revenue.

Part of the improvement was due to cost reductions. NGC expects staffing to be about 5,500 by the end of the financial year and 5,000 by March 1994, against 6,600 when it was formed.

A question of regaining market credibility

Paul Taylor and Louise Kehoe on Amstrad's quest to regain its reputation as an innovator

AMSTRAD, the consumer electronics group which is the subject of a £113m buy-back bid by its founder and chairman, Mr Alan Sugar, *faces* two unresolved legal disputes of particular interest to shareholders when they gather today for the group's annual meeting in London.

The law suits relate to the group's ill-fated 2000 series computers launched in the late-1980s and designed to spearhead the company's push into the lucrative corporate market for personal computers.

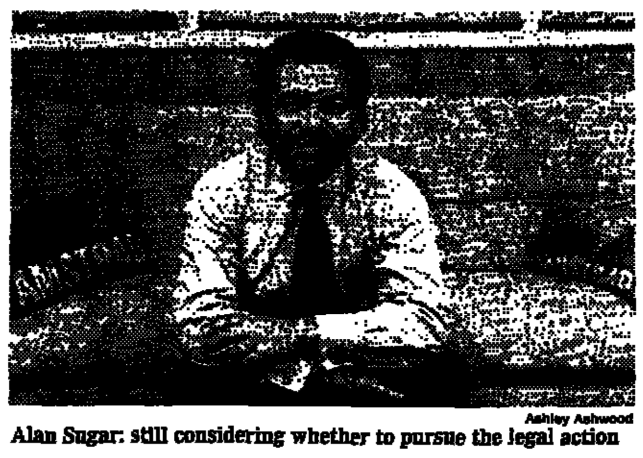
Until then Amstrad and Mr Sugar had ridden the crest of a consumer spending wave as one "blockbuster" product after another boosted turnover, profits and the share price.

Hot on the *heels of innovative* audio products, such as the ready stacked hi-fi system, came the enormously successful PC1512, the first low-cost personal computer system – launched in 1986 and aimed at the mass market.

By 1988, eight years after its listing, turnover had topped £625m and pre-tax profits reached £160.4m.

But one prize still eluded Amstrad. Although its first generation PCs had captured the lion's share of the home computer market, manufacturers such as IBM and Compaq still dominated the buiness PC market in Britain and Europe.

In the autumn of 1988 Amstrad set about plugging the gap with a new range of more powerful PCs. However, within months it was clear that some of the new PCs had reliability problems associated with their disc storage devices.



Ashley Ashwood

Alan Sugar: still considering whether to pursue the legal action

Amstrad was forced to recall many of the machines and spent between £6m and £7m in recall and modification charges. In the case of one of the models, the PC2386, it took 18 months to identify and rectify the fault. But by then the damage had been done. In the fast moving PC business the Series 2000 machines were already old. Market prices had *dropped and specifications had* changed.

Amstrad was forced to write down the value of its inventory to more realistic levels and record a £20.4m exceptional item against profits in the year to June 30 1991.

But arguably Amstrad suffered a much more serious, but unquantified loss in terms of its reputation and credibility as a business PC manufacturer. Certainly there is little doubt that the Series 2000 disaster set back its attempts to enter the corporate market - a setback which the group is still trying to overcome.

Amstrad began legal action in California last year against the two US manufacturers of the disc drives which Amstrad claims were faulty.

In separate suits Amstrad has been seeking a total of $291m (£193m) in damages and compensation from Seagate and Western Digital, the manufacturers which supplied the disc drives.

Both companies have vigorously denied liability and Western Digital subsequently issued a counter claim for the "exceptionally large expenses it made in helping Amstrad resolve its problems."

Since then Amstrad has suffered further setbacks. The case against Seagate was dismissed by the *California court* in April on jurisdictional grounds and Amstrad was told to refile in a "proper forum" – the UK courts. So far Amstrad has not yet done so.

Similarly the suit against Western Digital was also dismissed on jurisdictional grounds on November 4, but Amstrad was given permission to refile within 30 days.

Although Amstrad's latest annual report makes no specific mention of the suits the two cases have a particular importance now that Mr Sugar has launched his 30p-a-share offer for the 65 per cent of Amstrad he does not own.

The offer document includes a letter from Amstrad's directors which notes in its section on litigation that although "...the Directors and Mr Sugar believe the group has a strong legal case, the extent and timing of any recovery is uncertain". Kleinwort Benson, Amstrad's financial advisers, *also confirm that* the implications of the legal action were examined "in some detail".

Nevertheless Mr Sugar says the board is still "considering" whether to pursue the legal action, even though he accepts that a positive settlement could boost the cash in Amstrad's balance sheet, and therefore the value of its shares.

Whether or not the legal cases are pursued, shareholders are likely to remember the *unfortunate 2000 series* as the turning point in Amstrad's fortunes.

The Takeover Panel said yesterday that Mr Gideon Fiegel, founder of the Amstrad Shareholders Club, holds proxies for about 2m out of Amstrad's 581m shares. Mr Fiegel is opposing Mr Alan Sugar's *30p-a-share buy-back* bid for the company.

Recovery at revamped Marling

By Andrew Bolger

THE NEW management team at Marling Industries, the safety belt webbing and industrial textiles group, said their reorganisation and recovery plans were progressing well, even although some businesses faced difficult trading conditions.

Pre-tax profits increased from £593,000 to *£659,000 in the six months to September* 30, in line with forecasts made at the time of June's £18m rights issue.

At that stage, the group announced sweeping changes after reporting pre-tax losses of £11.9m for the year to March 31.

Mr David Abel Smith, who became chief executive in January, said yesterday: "Our policy of focusing on our core businesses with their leading market positions is proving successful. We are increasing the efficiency of our operations, improving gross margins and we view the future with optimism."

Marling has sold Boalloy, its loss-making subsidiary which makes commercial vehicle bodies, and stopped funding a joint venture to make automotive safety airbags with Electrolux Autoliv, which would have required investment of between £6m and £7m over the next 18 months.

Total turnover fell from £51.6m to *£38.8m, but sales of continuing businesses* rose marginally from £33.9m to £34.4m.

While markets throughout Europe had deteriorated since the summer, the group said planned rationalisations at subsidiaries in the UK, Germany and Spain were all on schedule.

The total workforce had been reduced by 105 to 1,140 and would fall further, but these redundancies were covered by provisions made at the year-end.

Elsewhere, Marling said action had been taken to cut costs without reducing gross margins, to respond to the new reduced level of demand, particularly from the European motor industry.

Mr Abel Smith said he was considering a number of acquisition opportunities in the group's chosen field of industrial webbing and narrow fabrics, but emphasised they would only be pursued if they generated cash and enhanced earnings.

Marling hopes to appoint a non-executive *chairman to replace Mr Peter Held,* the 69-year-old founder of the group, who stepped down as chairman in September.

Mr Abel Smith said it had not proved easy to find a candidate who could bring suitable skills to the post, but he hoped that an announcement would be made soon.

Earnings per share worked through at 0.57p, compared with losses of 0.86p last time.

The interim dividend is passed (0.3p), but the group said it intended to pay a final distribution.

BIT asset value dips to 164p

Net asset value at British Investment Trust stood at 164p per share at September 30.

A year earlier it stood at 170p.

There had been only modest changes in the geographical distribution of the portfolio with the emphasis remaining firmly on large, internationally *orientated and financially* strong companies.

In the half year consolidated gross revenue moved ahead from £19.3m to £19.7m, while the attributable balance came to £8.18m (£7.92m).

Earnings per share rose to 2.66p (2.47p) but over the year they are expected to be held at 4.34p.

The interim dividend is again 1.9p and the forecast is for a maintained total of 4.5p.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, November 23, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan (Afghani)	99.25	65.3605	40.8016	52.6525
Albania (Lek)	166.30	109.516	68.3658	88.2228
Algeria (Dinar)	33.35	21.9624	13.7101	17.6923
Andorra (Fr Fr)	8.2575	5.4379	3.3946	4.3806
(Sp Peseta)	175.80	115.772	72.2713	93.2625
Angola (Kwanza)	850.80	560.29	349.764	451.353
Antigua (E Carr $)	4.0825	2.6885	1.6783	2.1657
Argentina (Peso)	1.5035	0.9901	0.618	0.7976
Aruba (Florin)	2.7065	1.7823	1.1126	1.4358
Australia (Aus $)	2.2140	1.458	0.9101	1.1745
Austria (Schilling)	17.055	11.2314	7.0113	9.0477
Azores (Port Escudo)	216.90	142.838	89.1675	115.066
Bahamas (Bahama $)	1.5185	1	0.6242	0.8055
Bahrain (Dinar)	0.5705	0.3756	0.2345	0.3026
Balearic Is (Sp Peseta)	175.80	115.772	72.2713	93.2625
Bangladesh (Taka)	59.15	38.9529	24.3166	31.3793
Barbados (Barb $)	3.0410	2.0026	1.2501	1.6132
Belgium (Belg Fr)	50.00	32.9272	20.5549	26.5251
Belize (B $)	3.0240	1.9914	1.2431	1.6042
Benin (CFA Fr)	412.875	271.897	169.733	219.032
Bermuda (Bermudian $)	1.5185	1	0.6242	0.8055
Bhutan (Ngultrum)	42.7075	28.1247	17.557	22.6564
Bolivia (Boliviano)	6.1235	4.0325	2.5173	3.2485
Botswana (Pula)	3.3640	2.2153	1.3829	1.7846
Brazil (Cruzeiro)	14168.25	9330.42	5824.56	7516.31
Brunei (Brunei $)	2.4747	1.6297	1.0173	1.3128
Bulgaria (Lev)	36.20	23.8393	14.8818	19.2042
Burkino Faso (CFA Fr)	412.875	271.897	169.733	219.032
Burma (Kyat)	11.3075	7.4464	4.6485	5.9986
Burundi (Burundi Fr)	357.02	235.114	146.771	189.401
Cambodia (Riel)	3024.00	1991.44	1243.17	1604.24
Cameroon (CFA Fr)	412.875	271.897	169.733	219.032
Canada (Canadian $)	1.9475	1.2825	0.8006	1.0331
Canary Is (Sp Peseta)	175.80	115.772	72.2713	93.2625
Cp Verde (CV Escudo)	94.70	62.3641	38.9311	50.2387
Cayman Is (CI $)	1.2850	0.8462	0.5282	0.6816
Cent.Afr Rep (CFA Fr)	412.875	271.897	169.733	219.032
Chad (CFA Fr)	412.875	271.897	169.733	219.032
Chile (Chilean Peso)	568.65	374.481	233.772	301.671
China (Renminbi Yuan)	8.5636	5.6395	3.5204	4.543
Colombia (Col Peso)	941.85	620.25	387.194	499.655
CIS ‡ (Rouble)	0.8719o	0.5741	0.3584	0.4625
	683.65m	450.214	281.048	362.679
Comoros (CFA Fr)	412.875	271.897	169.733	219.032
Congo (Brazz) (CFA Fr)	412.875	271.897	169.733	219.032
Costa Rica (Colon)	207.05	136.352	85.1181	109.841
Côte d'Ivoire (CFA Fr)	412.875	271.897	169.733	219.032
Croatia (Dinar)	855.60	563.451	351.737	453.899
Cuba (Cuban Peso)	1.1450	0.754	0.4707	0.6074
Cyprus (Cyprus £)	0.7116	0.4686	0.2925	0.3775
Czechoslovakia (Koruna)	43.57c	28.6927	17.9116	23.114
	41.74t	27.4876	17.1593	22.1432
Denmark (Danish Kroner)	9.4425	6.2183	3.8818	5.0092
Djibouti Rep (Djib Fr)	266.50	175.502	109.558	141.379
Dominica (E Carrib $)	4.0825	2.6885	1.6783	2.1657
Dominican Rep (D Peso)	19.6560	12.9443	8.0805	10.4275
Ecuador (Sucre)	2943.85o	1938.66	1210.22	1561.72
	3024.00a	1991.44	1243.17	1604.24
Egypt (Egyptian £)	4.9990	3.292	2.055	2.6519
El Salvador (Colon)	13.5325	8.9117	5.5632	7.179
Equat'l Guinea (CFA Fr)	412.875	271.897	169.733	219.032
Estonia (Kroon)	19.32	12.723	7.9424	10.2493
Ethiopia (Ethiopian Birr)	7.4820	4.9272	3.0758	3.9692
Falkland Is (Falk £)	1.00	0.6585	0.411	0.5305
Faroe Is (Danish Kroner)	9.4425	6.2183	3.8818	5.0092
Fiji Is (Fiji $)	2.3730	1.5627	0.9755	1.2588
Finland (Markka)	7.6480	5.0365	3.144	4.0572
France (Fr)	8.2575	5.4379	3.3946	4.3806
Fr. Cty/Africa (CFA Fr)	412.875	271.897	169.733	219.032
Fr Guiana (Local Fr)	8.2575	5.4379	3.3946	4.3806
Fr. Pacific Is (CFP Fr)	149.50	98.4524	61.4494	79.3103
Gabon (CFA Fr)	412.875	271.897	169.733	219.032
Gambia (Dalasi)	12.5495	8.2644	5.159	6.6575
Germany (D-Mark)	2.4325	1.6019	1	1.2904
Ghana (Cedi)	749.45	493.546	308.099	397.586
Gibraltar (Gib £)	1.00	0.6585	0.411	0.5305
Greece (Drachma)	316.075	208.149	129.938	167.679
Greenland (Danish Krone)	9.4425	6.2183	3.8818	5.0092
Grenada (E Carr $)	4.0825	2.6885	1.6783	2.1657
Guadaloupe (Local Fr)	8.2575	5.4379	3.3946	4.3806
Guam (US $)	1.5185	1	0.6242	0.8055
Guatemala (Quetzal)	7.9835	5.2574	3.282	4.2352
Guinea (Fr)	1228.20	808.824	504.913	651.565
Guinea-Bissau (Peso)	7560.00	4978.6	3107.91	4010.61
Guyana (Guyanese $)	189.75	124.959	78.0061	100.663
Haiti (Goude)	15.9515	10.5047	6.5576	8.4623
Honduras (Lempira)	8.9660	5.9045	3.6859	4.7564
Hong Kong (HK $)	11.7110	7.7122	4.8143	6.2127
Hungary (Forint)	125.15	82.4168	51.4491	66.3925
Iceland (Icelandic Krona)	95.90	63.1544	39.4244	50.8753
India (Indian Rupee)	42.7075	28.1247	17.557	22.6564
Indonesia (Rupiah)	3108.15	2046.86	1277.76	1648.89
Iran (Rial)	2201.0v	1449.46	904.83	1167.64
	100.20o	65.9861	41.1921	53.1564
Iraq (Iraqi Dinar)	0.5936	0.3909	0.244	0.3149
Irish Rep (Punt)	0.9250	0.6091	0.3802	0.4907
Israel (Shekel)	4.00	2.6341	1.6443	2.122
Italy (Lira)	2108.50	1388.54	866.804	1118.57
Jamaica (Jamaican $)	35.6830	23.4988	14.6692	18.9299
Japan (Yen)	188.50	124.136	77.4922	100
Jordan (Jordanian Dinar)	1.0260	0.6756	0.4217	0.5442
Kenya (Kenya Shilling)	53.8725	35.4774	22.1469	28.5795
Kiribati (Australian $)	2.2140	1.458	0.9101	1.1745
Korea North (Won)	3.2510	2.1409	1.3364	1.7246
Korea South (Won)	1184.77	780.224	487.059	628.525
Kuwait (Kuwaiti Dinar)	0.4535	0.2986	0.1864	0.2405
Laos (New Kip)	1081.10	711.953	444.44	573.528
Lebanon (Lebanese £)	2832.60	1865.39	1164.48	1502.71
Lesotho (Maluti)	4.5648	3.0061	1.8765	2.4216
Liberia (Liberian $)	1.5185	1	0.6242	0.8055
Libya (Libyan Dinar)	0.4320	0.2844	0.1775	0.2291
Liechtenstein (Swiss Fr)	2.1850	1.4389	0.8982	1.1591
Luxembourg (Lux Fr)	50.00	32.9272	20.5549	26.5251
Macao (Pataca)	12.0850	7.9585	4.9681	6.4111
Madagascar (MG Fr)	2706.80	1782.55	1112.76	1435.97
Madeira (Port Escudo)	216.90	142.838	89.1675	115.066
Malawi (Kwacha)	6.4675	4.2591	2.6587	3.431
Malaysia (Ringgit)	3.8210	2.5162	1.5708	2.027
Maldive Is (Rufiya)	17.4105	11.4655	7.1574	9.2363
Mali Rep (CFA Fr)	412.875	271.897	169.733	219.032
Malta (Maltese £)	0.4988	0.3284	0.205	0.2646
Martinique (Local Fr)	8.2575	5.4379	3.3946	4.3806
Mauritania (Ouguiya)	160.25	105.532	65.8787	85.0132
Mauritius (Maur Rupee)	24.7060	16.27	10.1566	13.1066
Mexico (Mexican Peso)	4713.05	3103.75	1937.53	2500.29
Miquelon (Local Fr)	8.2575	5.4379	3.3946	4.3806
Monaco (French Fr)	8.2575	5.4379	3.3946	4.3806
Mongolia (Tugrik)	60.48	39.8287	24.8633	32.0848
Montserrat (E Carr $)	4.0825	2.6885	1.6783	2.1657
Morocco (Dirham)	12.39	8.1593	5.0935	6.5729
Mozambique (Metical)	4153.10	2735	1707.34	2203.24
Namibia (S A Rand)	4.5648	3.0061	1.8765	2.4216
Nauru Is (Australian $)	2.2140	1.458	0.9101	1.1745
Nepal (Nepalese Rupee)	70.5045	46.4303	28.9843	37.4029
Netherlands (Guilder)	2.7375	1.8027	1.1253	1.4522
N'nd Antilles (A/Guilder)	2.7065	1.7823	1.1126	1.4358
New Zealand (NZ $)	2.9323	1.931	1.2054	1.5555
Nicaragua (Gold Cordoba)	8.3765	5.5162	3.4435	4.4437
Niger Rep (CFA Fr)	412.875	271.897	169.733	219.032
Nigeria (Naira)	29.4840	19.4165	12.1208	15.6413
Norway (Nor. Krone)	9.9000	6.5195	4.0698	5.2519
Oman (Rial Omani)	0.5823	0.3834	0.2393	0.3089
Pakistan (Pak. Rupee)	38.4675	25.3325	15.8139	20.4071
Panama (Balboa)	1.5185	1	0.6242	0.8055
Papua New Guinea (Kina)	1.4930	0.9832	0.6137	0.792
Paraguay (Guarani)	2378.45	1566.32	977.78	1261.78
Peru (New Sol)	2.46	1.62	1.0113	1.305
Philippines (Peso)	38.1025	25.0921	15.6639	20.2135
Pitcairn Is (£ Sterling)	1.00	0.6585	0.411	0.5305
(NZ $)	2.9323	1.931	1.2054	1.5555
Poland (Zloty)	23396.0	15407.3	9618.09	12411.7
Portugal (Escudo)	216.90	142.838	89.1675	115.066
Puerto Rico (US $)	1.5185	1	0.6242	0.8055
Qatar (Riyal)	5.5055	3.6256	2.2633	2.9206
Reunion Is. de la (F/Fr)	8.2575	5.4379	3.3946	4.3806
Romania (Leu)	659.25q	434.146	271.017	349.735
Rwanda (Fr)	220.98	145.525	90.8448	117.231
St Christopher (E Carr $)	4.0825	2.6885	1.6783	2.1657
St Helena (£)	1.00	0.6585	0.411	0.5305
St Lucia (E Carr $)	4.0825	2.6885	1.6783	2.1657
St Pierre (French Fr)	8.2575	5.4379	3.3946	4.3806
St Vincent (E Carr $)	4.0825	2.6885	1.6783	2.1657
San Marino (Italian Lira)	2108.50	1388.54	866.804	1118.57
Sao Tome (Dobra)	362.90	238.986	149.188	192.52
Saudi Arabia (Riyal)	5.6723	3.7354	2.3318	3.0091
Senegal (CFA Fr)	412.875	271.897	169.733	219.032
Seychelles (Rupee)	7.8320	5.1577	3.2197	4.1549
Sierra Leone (Leone)	756.00	497.86	310.791	401.061
Singapore ($)	2.4747	1.6297	1.0173	1.3128
Slovenia (Tolar)	145.10	95.5548	59.6505	76.9761
Solomon Is ($)	4.4470	2.9285	1.8281	2.3591
Somali Rep (Shilling)	3961.45	2608.79	1628.55	2101.56
South Africa (Rand)	4.5648c	3.0061	1.8765	2.4216
	7.5510q	4.9726	3.1042	4.0058
Spain (Peseta)	175.80	115.772	72.2713	93.2625
Spanish Ports in N Africa (Sp Peseta)	175.80	115.772	72.2713	93.2625
Sri Lanka (Rupee)	66.9215	44.0707	27.5114	35.5021
Sudan Rep (Dinar)	15.120	9.9571	6.2158	8.0212
Surinam (Guilder)	2.6990	1.7774	1.1095	1.4318
Swaziland (Lilangeni)	4.5648	3.0061	1.8765	2.4216
Sweden (Krona)	10.2075	6.722	4.1963	5.4151
Switzerland (Fr)	2.1850	1.4389	0.8982	1.1591
Syria (£)	31.7520	20.9101	13.0532	16.8445
Taiwan ($)	38.475	25.3375	15.817	20.4111
Tanzania (Shilling)	483.85	318.637	198.911	256.684
Thailand (Baht)	38.65	25.4527	15.889	20.5039
Togo Rep (CFA Fr)	412.875	271.897	169.733	219.032
Tonga Is (Pa Anga)	2.2140	1.458	0.9101	1.1745
Trinidad/Tobago ($)	6.8795	4.55	2.8281	3.6496
Tunisia (Dinar)	1.4050	0.9252	0.5775	0.7453
Turkey (Lira)	12516.25	8242.51	5145.43	6639.92
Turks & Caicos (US $)	1.5185	1	0.6242	0.8055
Tuvalu (Australian $)	2.2140	1.458	0.9101	1.1745
Uganda (New Shilling)	1878.15	1236.85	772.107	996.366
U A E (Dirham)	5.5548	3.658	2.2835	2.9468
United Kingdom (£)	1.00	0.6585	0.411	0.5305
United States (US $)	1.5185	1	0.6242	0.8055
Uruguay (Peso)	5113.60	3367.53	2102.2	2712.79
Vanuatu (Vatu)	180.55	118.9	74.224	95.7824
Vatican (Lira)	2108.50	1388.54	866.804	1118.57
Venezuela (Bolivar)	117.25	77.2143	48.2014	62.2015
Vietnam (Dong)	16337.15	10758.7	6716.2	8666.92
Virgin Is-British (US $)	1.5185	1	0.6242	0.8055
Virgin Is-US (US $)	1.5185	1	0.6242	0.8055
Western Samoa (Tala)	3.7125	2.4448	1.5262	1.9694
Yemen (Rep of) (Rial)	24.9480	16.4293	10.2561	13.235
Yemen (Rep of) (Dinar)	0.7030	0.4629	0.289	0.3729
Yugoslavia (New Dinar)	307.00	202.173	126.208	162.865
Zaire Rep (Zaire)	2501500.0	1647349	1028366	1327056
Zambia (Kwacha)	352.75	232.302	145.015	187.135
Zimbabwe ($)	8.1875	5.3918	3.3658	4.3435

Special Drawing Rights November 20, 1992 United Kingdom £0.906658 United States $1.38900 Germany D Mark 2.20045 Japan Yen171.680
European Currency Unit Rates November 23,1992 United Kingdom £0.807859 United States $1.22108 Germany D Mark 1.96288 Japan Yen151.621

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential Imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate. ‡ CIS applies to states in the Rouble Zone.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday, November 23, 1992. Spain & Portugal devalued by 6%.

NEWS DIGEST

Dagenham Motors sees downturn

SHARES OF Dagenham Motors Group fell 25p to 78p after the *Essex-based motor distributor* warned that second half profits were "likely to fall short of current market expectations".

Mr David Philip, chairman, said makers' price cuts and the abolition of car tax "have had an immediate and severe impact on used vehicle values". Profits from the group's largest dealership at Dagenham had fallen following the introduction of short time working and redundancies at *the nearby Ford plant,* he added.

Nevertheless the final dividend should be held at 4p.

In September the group announced profits of £1.13m pre-tax for the six months to June 30 on turnover of £75.6m. Profits for the 1991 year amounted to £2.11m, achieved on turnover of £127.2m.

South Staffs Water shows 11% advance

Pre-tax profits of South Staffordshire Water Holdings improved by 11 per cent, from £4.6m to £5.1m, in the six months to end-September.

The outcome was achieved on turnover up by £2m to £25.9m. The interim dividend is raised to 15p from a pro-forma 13.4p last time, payable from earnings per share of 78.7p (73.9p pro-forma).

Chemex turns in full year profit

Continued improvement in the second half saw Chemex International produce turnover of £750,000 and pre-tax profit of £117,000.

This meant the company made its first ever full year profit of £52,000 in the 12 months to September 31 1992, from total turnover of £1.2m. Previously, it incurred a loss of £787,000, including exceptionals of £225,000, on sales of £780,000.

Earnings per share emerged at 0.07p (losses of 1.75p).

The annual meeting will be adjourned until *January 14* as the accounts will not be ready until December 21.

Hewetson down and reduces interim

Hewetson, which serves the construction industry, suffered a 32 per cent fall in interim pre-tax profits and is cutting the dividend by 69 per cent.

However, the group had some success with gearing, reducing it from 48 per cent to 28 per cent.

In the six months to September 30 turnover fell 26 per cent to £14.3m (£19.2m) but the operating surplus dropped 43 per cent to £650,000 (£1.15m). After reduced interest charges pre-tax profit worked through at £476,000, against £703,000 which *was struck after exceptional* charges of £154,000.

Earnings per share came to 2.09p (4.6p) and the interim distribution is 0.5p (1.6p).

Losses deepen to £1m at Futura

Futura Holdings, the footwear manufacturer, announced increased pre-tax losses of £1m from turnover sharply down at £1.77m *in the 26 weeks to June* 26.

The result compares with losses of £940,000 from sales of £4.04m for the 28 weeks to July *13 last year. Losses* per share were 26.69p (19.44p) and there is no dividend.

Notice of an extraordinary meeting regarding the sale of a large part of the group's property portfolio for £4.31m cash has been sent to shareholders.

The Stock Exchange has agreed to restore the group's listing – it was suspended last March – following the disposal and restoration of banking facilities, expected to be completed before *December 31.*

Oil market slides on Opec jitters

By Deborah Hargreaves

WORLD OIL prices slid yesterday amid market jitters about this week's meeting of nations from the Organisation of Petroleum Exporting Countries in Vienna.

Reports that Saudi Arabia would resist cutting its oil output when ministers meet on Wednesday knocked 20 cents a barrel off the price of North Sea Brent crude oil at the opening of trading. The Brent blend January delivery price then settled at $19.07½ a barrel in a slow market.

"The market has finally had a *message from Riyadh*," said Mr Peter Gignoux, manager of Smith Barney's oil trading desk in London. Other traders dismissed the reports as posturing in the run-up to the Opec meeting but remained gloomy about the outlook for oil prices.

"The most bullish scenario I can see is that they roll over the September agreement and prices stay where they are," said a trading manager from one international oil company.

Opec agreed to produce 24.2m barrels of oil a day at its last meeting, but most industry observers estimate that output has been running at between 25m and 25.3m b/d.

Iran refused to embrace the September agreement and has been publicly demonstrating the nation's ability to pump 3.8m to 4m b/d. Some commentators put Iran's sustained output at around 3.6m b/d.

Iran is staking its claim for a bigger share in any allocation based on output capacity rather than historical quotas.

The traditional political tension between Iran and Saudi Arabia – Opec's biggest producer – is expected to make agreement more difficult to reach at this week's meeting. Saudi Arabia says it has stuck to its production allocation of 8.4m b/d in the last couple of months and is not prepared to cut back further.

Independent observers estimate that the kingdom has been producing at this level but selling more into the market from stocks it built up during the third quarter.

Oil stocks held by consumers threaten to undermine prices if Opec fails to agree to rein in production. Mr Gary Ross, chief executive of Petroleum Industry Research Associates in New York, says that the US built its stocks in October compared with last year when it used up 1m b/d from inventories during that month.

If demand remains low as colder winter weather fails to materialise those stocks could flood on to the market and depress prices.

Supply and demand in the oil market are not very far out of line at present but traders have become nervous in advance of the Opec meeting as increasing signs of disarray become evident within the producers' club. Opec ministers must give a clear signal to the market of their intentions to cut production if they are not to see a further slide in price.

Big spenders 'likely' to win Russian gas contract

By John Lloyd in Moscow

A GROUP of Russian companies is reported to be "likely" to have won a huge contract to exploit a 3 trillion (million million) cubic metre (105 trillion cubic feet) gas deposit in the Barents Sea in competition with a consortium of leading Western companies – because the former could offer more jobs and spend more money in Russia.

The contract has been said by Mr Vladimir Shumeiko, first deputy prime minister, to be the harbinger of a "new government policy in the area of the development of national industry".

It seems as though pressures from the powerful industrial lobby have forced the government to reassign the contract for the exploitation of the Shtockman gas field 600 km (370 miles) off Murmansk to the Rosshelf consortium of 19 leading Russian military manufacturers. The leading current affairs programme "Itogi" (Results) said that promises on price, orders and employment were crucial – with the Rosshelf group claiming that the cost of their tender was 4 per cent lower than that of the Western consortium, promising to buy equipment worth $2.5bn and employ 250,000 people. It claimed the Western group would spend only $400m and employ 30,000 people.

Itogi reported on Sunday night that Rosshelf would "most probably" get the contract – one of the biggest such fields in the world. A final decision on this and other large projects is expected today or tomorrow.

If the contract does go to Rosshelf, it will dash the long-cherished hopes of a consortium of Western companies, which includes Norsk Hydro, Conoco and three Finnish companies united under the title of the Barents Group. The group had an agreement to exploit the Shtockman Field since 1989: and although the contract was with the old Soviet Ministry of Oil and Gas, its successor, the Russian Fuel and Energy Ministry, had accepted its validity.

Mr Sven Brevik, Norsk Hydro's vice president in charge of exploration, said yesterday that "we have as yet heard nothing from the government. There is a possibility, whatever the outcome, that we may co-operate with Rosshelf on the project, though we do not yet know how".

There is much frustration among the Western companies at the length of time it has taken to decide on the contract, and at apparent changes of mind on the part of the Russian authorities. They doubt the ability of Rosshelf to finance the project, or to establish expertise in offshore gas drilling.

The government has for some time sought to establish "rules of the game" favouring Russian companies, or at least foreign companies that pledged to use Russian products and labour.

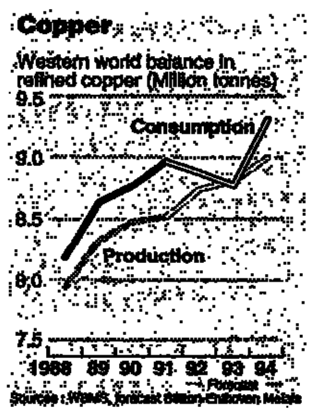
Electric vehicles 'to boost copper demand'

By Kenneth Gooding, Mining Correspondent

COPPER DEMAND will be boosted by increasing numbers of electrically-powered, non-polluting vehicles being developed at present in North America, Europe and Japan, according to a new study by Billiton-Enthoven Metals, part of the Royal Dutch/Shell natural resources group.

"Not only will such vehicles require considerably more wiring than the equivalent vehicle driven by an internal combustion engine [reports suggest they will need nearly twice as much copper] but such a development would also require a substantial increase in the load-carrying capacity of urban distribution systems," the authors, Ms Karen Norton and Mr Angus MacMillan, point out.

They dismiss the idea that copper is a metal in the mature phase of its many applications and, compared with an annual demand rate growth in the world outside the former east European countries of 1.4 per cent in the years between 1973 and 1990, they suggest demand will increase by 2 per cent or even 2.5 per cent a year during the present decade.



Growth will be underpinned by the non-mature economies where demand grew at an annual 7 per cent between 1979 and 1991. By then they accounted for 20.7 per cent of western copper consumption compared with 10.9 per cent at the end of the 1970s.

The study also points out that copper is price inelastic and says "the high prices which have prevailed since 1987 have done little to discourage the metal's use. In many end-uses substitution is simply not practicable, while in others the price of copper is a minor consideration in the total cost of production".

On the production side of the equation, Billiton does not support the idea that refined copper output will be constrained by lack of smelting capacity. The study suggests low-cost, solvent-extraction, electrowinning (SX-EW) capacity, which does away with the need for a smelter, will account for 18 per cent of copper supply by the year 2000 compared with 10 per cent in 1990.

Looking at the short-term prospects for the metal, Ms Norton and Mr MacMillan suggest that there will be a copper supply surplus this year of about 125,000 tonnes compared with a deficit of 132,000 tonnes last year. The surplus will increase to 350,000 tonnes in 1993 before the market returns to a deficit – of 100,000 tonnes – in 1994.

They suggest copper is the most "overvalued" metal but they do not expect the price to fall anywhere near the 70 cents a lb level that would force production cuts. Copper's price is forecast to average 90 cents a lb next year compared with about $1.04 so far in 1992.

Copper Market Report, £250 or US$400 from Billiton-Enthoven Metals, 94 Fenchurch Street, London EC3M 4BY, UK.

Ashanti gets the gold bug

By Kenneth Gooding, Mining Correspondent

ASHANTI GOLDFIELDS Corporation of Ghana will employ the proceeds of a complex US$140m syndicated loan signed yesterday to become the world's leading user of bacteria to produce gold.

The naturally-occuring bacteria, Thiobacillus ferro-oxidans, will release 300,000 troy ounces of gold a year by munching away at difficult (or refractory) ore which otherwise would have to be treated by expensive roasting or pressure oxidation.

The project is part of a US$305m, three-year expansion programme that will take Ashanti's gold output above 1m ounces a year in 1995 and place it among the world's top ten producers. Mr Sam Jonah, Ashanti's managing director, said yesterday in London that his company always had the ability to innovate and "now we are at the cutting edge of both gold production technology and financial engineering".

Ashanti Ashanti will use a bio-leaching process developed by Gencor of South Africa. Ore is ground into a powder which is mixed with water in tanks into which the bacteria are introduced. Mr Jonah said the capital and operating costs of bio-leaching were much lower than for pressure oxidation, which was also seriously considered, but just as much gold was recovered. The process was more environmentally-friendly because it did not release sulphur and also fixed the arsenic in the ore in a stable form.

Minproc of Australia had been awarded the $105m engineering contract and Mr Jonah said it was ahead of schedule.

It took the International Finance Corporation, the private sector arm of the World Bank, a year to structure the loan, which may be drawn in either US dollars or gold. IFC will provide $40m of the total and the remaining $100m is syndicated with nine international banks.

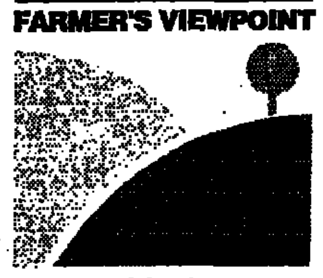
There is also a separate, ten-year facility to enable Ashanti to hedge 30 to 50 per cent of its annual gold output against fluctuations in gold prices. IFC will execute these transactions directly with Ashanti and hedge itself with market counterparties.

Ashanti, 55 per cent-owned by the Ghana government and 45 per cent by Lonrho, the UK-based conglomerate, produced 640,000 ounces of gold in the year to end-September and aims to produce 700,000 in this financial year.

Double helping of carrots for farm show visitors

Incentives for growers to attend and to spend will abound at next week's Royal Smithfield Show

FARMER'S VIEWPOINT



By David Richardson

THE ORGANISERS of the Royal Smithfield Show, scheduled to open for its five-day run at the Earl's Court exhibition halls in London next Sunday, have been sending carrots to exhibitors – real carrots.

It is not because there is a surplus of the orange-coloured roots, although there has been a very big crop this year, but to try to persuade hard-pressed agricultural traders of the potential benefits of showing their wares to what is claimed to be the biggest specialist farming audience in Britain.

For although falling incomes and fewer UK farmers (they are going out of business at the rate of about 100 a week) have reduced attendances at the event from 70,000-plus in the 1970s to nearer 50,000 in the 1990s, surveys of those who do attend make impressive reading. The organisers claim that 62 per cent of visitors are directly involved in agriculture and 35 per cent are trade buyers. They say that 38 per cent of the farmers who attend control over 500 acres, and are therefore more likely to be buyers than those on smaller acreages, and that 81 per cent of those working on farms are involved in decision-making.

It is an interesting irony that a farming show located in the heart of London seems able to deliver for exhibitors an audience consisting of "quality" prospects. Even so, to companies which have seen their sales plummeting in recent years, the high cost of setting up and staffing trade stands in the metropolis can still be daunting. Indeed some big names in the farm machinery business have pulled out of exhibiting at Earl's Court for that reason.

That is where the other type of carrot has come into play. Smithfield officials have taken advantage of the recession in the travel and hotel trades to negotiate cut-priced combined train and accommodation deals for both exhibitors and visitors. Indeed several special incentives have been launched to try to ensure that not only are the trade stands taken but also that the avenues between them are busy.

The techniques may be more familiar to those who sold life insurance or airplane tickets but they appear to have worked. Earl's Court, we are assured, will be full next week with both the livestock and meat from which the Smithfield Show derived its name and the *farm machinery*, albeit from some new exhibitors, which has dominated the event since it became a vital ingredient of efficient farming.

But it will also contain elements not seen there before. A whole new area will be devoted to business advice with land agents, consultants and the like offering to help farmers to survive CAP reform and the potential General Agreement on Tariffs and Trade settlement – for substantial fees of course. Ironically, seems highly likely that they will be advising clients not to spend too much money on the expensive machinery all around them.

For it is a regular criticism of farmers that they buy far more machinery than they actually or can really afford. Moreover, in the days, 10 or so years ago, when it was possible to write off 100 per cent of the cost of a new machine against tax in the year of purchase, farmers, the consultants allege, bought to save tax and that was the wrong reason.

The machinery trade, predictably, has a different view. It has already welcomed the chancellor of the exchequer's announcement in his Autumn Statement that capital allowances will be raised to 40 per cent for the next 12 months. But this does not go far enough, says the Agricultural Engineering Association.

Furthermore, there is little doubt that, when manufacturers entertain Mr John Gummer, the minister of agriculture, to lunch at Earl's Court next Monday, they will press him once again to persuade Mr Norman Lamont to allow a faster write-down of farm machinery, preferably returning to 100 per cent in the first year.

For the trade has seen its sales slip yet agin. Only 12 or 15 years ago it was for instance possible for dealers to budget on total UK tractor sales in excess of 30,000 units a year. Last year the figure had fallen to 15,280 and so far this year (to 31 October) sales are down a further 6.1 per cent. Industry *forecasts put the year end figure* at about 14,500.

To achieve even that modest target it will be necessary for manufacturers and dealers to continue to offer large discounts, extended credit and/or interest-free deals.

But those companies that do exhibit next week may well be approaching the occasion with a little more optimism than in recent years, for in the short term in some favoured areas of agriculture there is a little more money available. In spite of wet harvest weather some UK farmers, but not all by any means, enjoyed fairly good grain yields and quality this year. When sterling floated free of the European Community's exchange rate mechanism and was devalued, the price of that grain increased significantly and some farmers are now selling their produce at 12 per cent to 15 per cent above what they had budgeted.

The fall in bank interest rates to a base of 7 per cent (most secure farmers pay 2 to 3 per cent above that) has relieved at least some of the burden of borrowed money and the public spending cuts, announced by the chancellor earlier this month, treated farmers relatively leniently.

All of which will combine to improve the fortunes and the mood of the fortunate farmers who have so benefited and make them more inclined to renew old machines, which may well have needed to be replaced for some time. Add to that the appalling wet autumn which has led to difficult cultivations and imposed severe strains on men and ageing machines, and there may be significant numbers of farmers wanting to update and improve their tackle in order to be able to deal better with bad conditions next time they occur.

But that is the nature of farming. We farmers always plan for next year on the basis of last year's weather. And if we get it wrong, generally speaking, in arable farming anyway, the next opportunity to try again is the year after. That is the price of being part of an industry where there is only one product per field per year.

Indeed it may be appropriate in this time of dramatic changes to remind the politicians imposing them of the same message. If the combined result of cuts in farm prices, quotas on production, virtually compulsory acreage set-aside and bad weather, is a shortage of food instead of a surplus it will be another 12 months *before anything can be done to* rebuild supplies.

WORLD COMMODITIES PRICES

MARKET REPORT

Trading on the London Metal Exchange was dominated by an afternoon surge in **ALUMINIUM** prices prompted by news that a 400,000 tonnes-a-year smelter in Tajikistan was in imminent danger of closing. The three months delivery price closed *at $1,196.50 a tonne, up $10 from* Friday's close, and moved on to $1,206 a tonne in after hours trading. Dealers were waiting to see if the move above $1,200 a tonne would attract overnight US or Far East selling similar to that encountered when the market tested that level two week's ago. **NICKEL** prices were also firm in the morning, continuing the recovery that began in the middle of last week. The market drifted in the afternoon, however, and the three months price, which had touched $5,650 a tonne, closed at $5,527.50, up $50 on the day and $175 above the 5-year low reached last Tuesday. **GOLD** fell in the morning on Swiss selling and long liquidation and closed $2 down on the day at $334.35 a troy ounce.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Jan)		+ or -
Dubai	$17.00-7.05u	-.275
Brent Blend (dated)	$19.15-9.20	-0.30
Brent Blend (Jan)	$19.05-9.10	-0.30
W.T.I (1 pm est)	$20.20-2.25u	-0.35
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$206-208	
Gas Oil	$178-179	-3
Heavy Fuel Oil	$91-92	
Naphtha	$184-185	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$334.35	-2
Silver (per troy oz)♣	378.5c	-2
Platinum (per troy oz)	$358.5	+2.25
Palladium (per troy oz)	$95.1	+0.3
Copper (US Producer)	100.5c	
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	13.99r	-0.13
Tin (New York)	261.5c	-1
Zinc (US Prime Western)	82.0c	
Cattle (live weight)†	113.01p	+1.29*
Sheep (live weight)†♣	73.53p	-1.32*
Pigs (live weight)†	89.38p	+0.18*
London daily sugar (raw)	$222.1w	+1.1
London daily sugar (white)	$255.4w	-0.8
Tate and Lyle export price	£256.5	+3
Barley (English feed)	£137.0z	
Maize (US No. 3 yellow)	£146.0	
Wheat (US Dark Northern)	Unq	
Rubber (Dec)♥	63.25p	+0.5
Rubber (Jan)♥	63.25p	+0.5
Rubber (KL RSS No 1 Dec)	223.0m	-0.5
Coconut oil (Philippines)§	$495.0y	
Palm Oil (Malaysian)§	$402.5	-5
Copra (Philippines)§	$320.0	-2.5
Soyabeans (US)	£171.0u	+3
Cotton "A" index	53.50c	+0.75
Wooltops (64s Super)	422p	+2

£ a tonne unless otherwise stated. p-pence/kg c-cents/lb r-ringgit/kg.t-Dec. y-Jan/Feb u-Jan. w-Dec/Jan z-Jan/Mar. †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg ♣Sheep prices are now live weight prices.

SUGAR - London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Dec	-	196.00	
May	-	197.00	
White	Close	Previous	High/Low
Mar	251.20	255.80	256.50 250.50
May	254.70	258.50	257.00 254.00
Aug	260.70	264.50	264.00 262.00
Oct	249.10	252.90	251.50
Dec	249.60	253.40	252.00

Turnover: Raw 0 (36) lots of 50 tonnes. White 1377 (520) Paris- White (FFr per tonne): Mar 1397.00 May 1428.41

CRUDE OIL - IPE			$/barrel
	Latest	Previous	High/Low
Jan	19.06	19.36	19.19 19.02
Feb	19.05	19.32	19.16 19.01
Mar	19.02	19.28	19.09 19.00
Apr	18.97	19.19	18.97
Jun	18.90	19.15	19.00 18.89
Jul	18.97		18.97 18.95
IPE Index	19.37	19.21	19.37

Turnover 15987 (23214)

GAS OIL - IPE			$/tonne
	Close	Previous	High/Low
Dec	175.25	178.00	176.50 175.00
Jan	177.50	180.25	178.50 177.25
Feb	179.50	182.25	180.50 178.75
Mar	178.75	181.00	179.00 178.00
Apr	175.75	177.25	176.50 175.50
May	173.00	174.00	174.00 173.00
Jun	171.50	172.50	172.50 171.50
Jul	173.50		173.50
Aug	174.50		174.50 172.00

Turnover 18138 (14301) lots of 100 tonnes

TEA

There were 17,017 packages for the day, reports the Tea Brokers' Association. Landed Assams met improved competition at 5-10p dearer, while prices for better mediums were often appreciably higher. Bangladesh teas proved irregular and the plainer sorts attracted limited interest. Brighter liquoring east Africans were well supported with further gains of 5-15p. Offshore: strong general demand at dearer rates throughout. The highest price realised this week was 212p for a Kenya pd. Quotations: quality 190p, good medium 165p, medium 145p, low medium 102p.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Dec	714	721	719 713
Mar	737	744	743 736
May	752	759	758 751
Jul	766	773	772 766
Sep	781	787	788 780
Dec	803	809	811 803
Mar	827	830	833 826
Sep	871	875	875 869

Turnover: 3647 (5537) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily *price for Nov 20 783.97 (795.64) 10 day average* for Nov 23 785.17 (784.96)

COFFEE – London FOX			$/tonne
	Close	Previous	High/Low
Nov	929	933	933 931
Jan	959	968	970 954
Mar	978	988	990 975
May	988	980	992 967

Turnover:942 (2689) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 20: Comp. daily 59.23 (58.68) 15 day average 57.22 (57.09)

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Apr	62.0	60.2	62.0 61.5
May	67.0		67.0
Apr	90.5		90.5 90.0

Turnover 40 (69) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Jun	-	140.80	

Turnover 0 (50) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point
	Close	Previous	High/Low
Nov	1300	1285	1300 1285
Dec	1295	1285	1295 1285
Jan	1300	1290	1300 1285
Apr	1300	1290	1300
BFI	1276	1263	1276

Turnover 140 (236)

GRAINS – London FOX			£/tonne
Wheat	Close	Previous	High/Low
Jan	135.40	133.40	136.00 135.00
Mar	137.55	135.65	138.25 137.50
May	140.00	138.35	140.75 140.00
Jun	141.50		141.50
Nov	110.50	108.50	110.60 110.00
Barley	Close	Previous	High/Low
Nov	132.00		132.00
Jan	134.00	131.50	134.00 133.10
Mar	136.15	134.00	136.15 135.50
May	138.00		138.00 137.00

Turnover: Wheat 620 (387), Barley 116 (75).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg			
	Close	Previous	High/Low
Nov	115.0	115.0	114.5
Jan	105.0	103.5	104.0
Apr	105.0	105.0	104.5

Turnover:16 (19) lots of 3,250 kg

LONDON METAL EXCHANGE			(Prices supplied by Amalgamated Metal Trading)			
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 38,578 lots	
Cash	1173-4	1152.5-3.5		1161-1.5		
3 months	1196-7	1186-7	1206/1180	1184-4.5	1206-7	180,913 lots
Copper, Grade A (£ per tonne)					Total daily turnover 17,986 lots	
Cash	1403.5-4.5	1404-5	1408.5	1406-6.5		
3 months	1430-0.5	1430-1	1437/1432	1434-4.5	1431-33	152,743 lots
Lead (£ per tonne)					Total daily turnover 3,430 lots	
Cash	302.5-3.5	305-6	304.25	304-4.25		
3 months	315-5.5	317.5-8	318/316	316-6.5	315-6	24,232 lots
Nickel ($ per tonne)					Total daily turnover 9,358 lots	
Cash	5450-5	5400-10	5446/5442	5442-3		
3 months	5525-30	5475-80	5650/5510	5526-30	5540-5	38,505 lots
Tin ($ per tonne)					Total daily turnover 3,165 lots	
Cash	5680-5	5670-80		5640-5		
3 months	5730-5	5725-30	5720/5690	5700-5	5100-10	10,175 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 20,720 lots	
Cash	1042-3	1046-7	1043/1041.5	1041.5-2		
3 months	1062-2.5	1067-8	1070/1061	1061.5-2	1061-2	73,531 lots

LME Closing £/$ rate:
SPOT: 1.5185 | 3 months: 1.5068 | 6 months: 1.4976 | 9 months: 1.4926

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (troy oz)	$ price	£ equivalent
Close	334.20-334.50	
Opening	335.60-336.00	
Morning fix	334.25	221.754
Afternoon fix	334.05	220.422
Day's high	335.50-335.80	
Day's low	334.00-334.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	1.43	6 months	1.96
2 months	1.53	12 months	2.44
3 months	1.56		

Silver fix	p/troy oz	US cts equiv
Spot	248.00	375.20
3 months	252.20	378.50
6 months	256.00	381.80
12 months	263.40	389.30

GOLD COINS	$ price	£ equivalent
Krugerrand	333.00-336.00	219.00-221.00
Maple leaf	344.10-346.35	-
New Sovereign	79.00-82.00	52.00-54.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1150	48	67	9	14
1175	32	51	18	22
1200	19	37	30	33
Copper (Grade A)	Calls		Puts	
2100	63	87	19	30
2150	36	58	41	50
2200	17	37	72	78
Coffee	Jan	Mar	Jan	Mar
900	65	97	7	20
950	31	65	23	38
1000	13	41	55	64
Cocoa	Mar	May	Mar	May
725	44	66	2	39
750	34	53	7	51
775	25	44	63	67
Brent Crude	Jan	Feb	Jan	Feb
1950		47		
2000	16		106	
2050	8			

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Nov	334.4	335.2	0	0
Dec	334.4	335.3	334.4	333.8
Jan	335.0	335.9	0	0
Feb	335.5	336.5	335.7	335.1
Apr	336.7	337.7	336.9	336.3
Jun	338.2	339.1	338.2	337.8
Aug	339.8	340.7	0	0
Oct	341.5	342.4	0	0
Dec	343.3	344.1	343.1	342.7

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jan	357.5	360.6	360.0	357.5
Apr	357.0	359.3	359.0	357.0
Jul	357.0	358.6	358.0	357.0
Oct	360.8	360.8	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Nov	374.3	375.3	0	0
Dec	374.7	375.7	375.5	373.5
Jan	375.9	376.9	0	0
Mar	378.7	379.7	379.5	377.0
May	381.6	382.6	382.0	380.5
Jul	384.3	385.3	385.5	383.5
Sep	387.2	388.2	386.5	386.5
Dec	391.9	392.9	393.0	391.0
Jan	393.2	394.2	0	0
Mar	397.2	398.2	398.5	398.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	95.40	95.15	95.60	94.80
Dec	95.55	95.40	95.75	94.90
Jan	95.95	95.75	0	0
Feb	96.30	96.10	0	0
Mar	96.60	96.45	96.75	95.95
Apr	97.00	96.90	96.95	96.95
May	97.40	97.30	97.35	96.60
Jun	97.75	97.65	97.85	97.85
Jul	98.15	98.05	98.30	97.60
Aug	98.45	98.40	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Jan	20.20	20.56	20.36	20.17
Feb	20.22	20.56	20.36	20.20
Mar	20.23	20.54	20.34	20.22
Apr	20.25	20.51	20.34	20.22
May	20.24	20.49	20.32	20.22
Jun	20.22	20.47	20.30	20.21
Jul	20.27	20.45	20.28	20.28
Aug	20.22	20.43	20.27	20.22
Sep	20.22	20.42	20.28	20.22
Oct	20.21	20.41	20.28	20.21

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Dec	56.15	57.31	56.70	56.05
Jan	57.25	58.49	57.85	57.20
Feb	58.00	59.24	58.60	57.90
Mar	57.60	58.51	58.00	57.50
Apr	56.50	57.24	56.75	56.50
May	55.60	56.04	55.70	55.50
Jun	54.95	55.54	55.05	54.95
Jul	55.00	55.78	56.30	55.20
Aug	55.80	56.28	55.90	55.80
Sep	56.90	57.43	57.00	57.00

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	984	976	983	981
Mar	1020	1012	1022	1005
May	1048	1040	1049	1035
Jul	1074	1068	1074	1064
Sep	1098	1089	0	0
Dec	1135	1128	0	0
Mar	1158	1154	1158	1153
May	1179	1175	1175	1175
Jul	1209	1205	0	0
Sep	1230	1228	1230	1210

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	69.85	70.40	71.10	68.75
Mar	70.65	71.60	72.30	70.15
May	73.55	74.55	75.00	73.35
Jul	75.25	76.40	76.85	75.25
Sep	76.60	77.75	77.05	76.60
Dec	78.75	80.25	0	0
Mar	80.85	82.40	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.34	8.62	8.60	8.31
May	8.53	8.75	8.74	8.50
Jul	8.63	8.82	8.81	8.60
Oct	8.62	8.81	8.82	8.60
Mar	8.73	8.86	8.85	8.85

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Dec	58.22	57.55	58.80	57.65
Mar	57.70	57.65	58.45	57.30
May	58.55	58.35	59.25	58.15
Jul	59.20	59.00	59.80	58.90
Oct	59.15	58.85	0	0
Dec	59.12	59.20	59.80	59.05
Mar	59.70	59.70	59.90	59.70
May	60.30	60.10	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jan	94.80	92.80	95.00	91.50
Mar	96.40	94.90	96.70	94.00
May	97.70	96.20	99.00	94.70
Jul	97.10	95.70	97.00	94.60
Sep	96.80	95.20	96.50	95.00
Nov	96.55	95.05	96.00	95.75
Jan	96.55	95.06	0	0
Mar	96.55	95.05	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
Nov.23	Nov.20	mnth ago	yr ago
1670.0	1657.1	1643.8	1623.4

DOW JONES (Base: Dec. 31 1974 = 100)				
	Nov.20	Nov.19	mnth ago	yr ago
Spot	118.83	117.77	113.57	114.83
Futures	118.57	118.35	115.04	122.48

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jan	565/4	559/4	566/4	559/0
Mar	571/6	565/2	572/6	565/0
May	577/4	571/4	578/6	571/0
Jul	584/0	577/4	584/4	577/4
Aug	586/4	580/0	586/4	580/4
Sep	585/4	580/0	586/4	582/4
Nov	590/2	585/6	592/0	586/0
Jan	598/0	593/4	598/0	598/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Dec	20.48	20.21	20.70	20.11
Jan	20.62	20.32	20.80	20.23
Mar	20.86	20.56	21.07	20.45
May	21.03	20.72	21.19	20.61
Jul	21.20	20.93	21.35	20.83
Aug	21.21	20.90	21.40	20.80
Sep	21.25	20.90	21.30	20.85
Oct	21.30	20.93	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Dec	182.8	182.0	182.9	181.5
Jan	182.6	181.8	182.7	181.6
Mar	182.2	181.7	182.4	181.6
May	182.9	182.4	183.0	182.3
Jul	184.8	184.4	185.0	184.4
Aug	185.4	185.1	185.8	185.4
Sep	186.2	186.1	186.2	186.2
Oct	188.0	188.0	188.5	188.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	217/2	213/6	218/0	213/4
Mar	226/2	221/6	227/0	221/4
May	234/0	229/0	235/0	229/0
Jul	239/0	234/4	240/2	234/2
Sep	243/0	238/0	243/4	238/4
Dec	247/0	242/4	247/6	243/0
Mar	254/4	250/0	254/4	250/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	376/2	370/2	378/4	370/0
Mar	372/6	368/4	374/0	368/4
May	355/0	351/6	358/0	351/4
Jul	326/4	324/6	327/4	324/0
Sep	332/4	330/0	333/4	331/0
Dec	342/4	341/4	344/0	342/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	75.625	75.175	75.675	75.150
Feb	73.625	72.750	73.650	72.900
Apr	73.700	72.975	73.750	73.250
Jun	70.450	69.750	70.475	69.900
Aug	69.125	68.600	69.175	68.800
Oct	69.500	68.975	69.500	69.200
Dec	69.800	69.275	69.800	0

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Dec	44.575	44.600	44.700	44.050
Feb	44.300	44.225	44.375	43.850
Apr	41.725	41.800	41.950	41.525
Jun	46.275	46.250	46.400	46.000
Jul	45.800	45.700	45.800	45.350
Aug	44.450	44.400	44.500	44.250
Oct	41.250	41.175	41.300	40.925
Dec	43.350	43.325	43.500	43.100

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	41.450	42.375	42.350	41.000
Mar	41.425	42.475	42.400	41.200
May	42.850	43.550	43.300	42.600
Jul	43.475	44.700	44.000	42.825
Aug	42.350	43.500	42.550	41.800

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LONDON STOCK EXCHANGE

FT-SE fails to hold new trading peak

By Terry Byland, UK Stock Market Editor

SUCCESSFUL progress at the GATT negotiations took the UK stock market to a new trading peak early in yesterday's session but gains were reversed as new uncertainties in European currencies undermined confidence in prospects for another one point cut in domestic base rates before Christmas. Dealers said there was little selling pressure, however, despite a sudden plunge in share prices on rumours that a rise in Value Added Tax was in the offing.

The stock market opened lower, unsettled by the devaluation of Spanish and Portuguese currencies over the weekend and by the expected pressures on the Irish punt which was countered by a huge rise in interest rates in Dublin.

But share prices quickly turned higher as stock index futures came in firmly and equities caught up with the better news from the GATT talks, followed by plans for a meeting on Tuesday of the Uruguay Round members.

The FT-SE Index quickly broke through to a new trading peak of 2,745.2, just one point above the previous peak reached in May. But, with currency markets continuing to dominate attention, genuine investment support for equities proved lacking and the 12.8 gain in the Footsie was first whittled away and then reversed.

Disclosure that the UK's current account deficit had increased to £1.06bn in October brought no comfort to the stock market, and share prices extended their losses in response to similar, but sharper, falls in some other European bourses. At worst, the Footsie was down by 12.7 points but still 20 points above the 2,700 benchmark and suffering little more than intra-market selling as marketmakers sought to pass stock between one another.

The final reading put the FT-SE Index at 2,722.9, for a loss of 9.5 which left the previous closing high intact at 2,737.8. London was helped at the close by Wall Street which recovered an early loss during London market hours.

Seaq volume drifted away to 461.3m shares compared with 546.7m on Friday, supporting the traders' view that little of consequence had happened in the market yesterday. However, retail, or customer, business in equities was worth £1bn on Friday, maintaining the relative improvement of recent weeks.

Against the background of currency nervousness, the international blue chip stocks made little headway, ICI remaining depressed by last week's bearish reviews of the proposed demerger of the bioscience interests.

Some brewing stocks continued to respond to the likelihood of a settlement of the GATT negotiations. But a report, from economists at the Manchester Business School and Cambridge University, that retailers would see improved consumer spending next year had little effect on store and other retail issues.

Strategists appeared unperturbed by the equity market's repeated failure to push convincingly through its previous highs. The market is consolidating but now showing signs of improving confidence, according to Kleinwort Benson, the London merchant bank and investment house. Nikko believes that only renewed corporate earnings growth could drive the market higher.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Nov 16	Nov 30	Dec 14
Option Declarations:		
Nov 26	Dec 10	Dec 30
Last Dealings:		
Nov 27	Dec 11	Dec 31
Account Day:		
Dec 7	Dec 21	Jan 11

*New time dealings may take place from 8.30am two business days earlier.

Payment fears hit BET

DOUBTS about next year's dividend hit BET's share price after the board reported a fall in first half profits figures and a cut in the interim payout.

The business services group announced a 43 per cent fall in profits to £40.5m, in line with market forecasts, and cut the dividend from 4.25p to 2p. However it was comments from the chief executive that the board, "will have to consider very carefully the correct level for the following year" that led to fears of a cut in next year's dividend, sending the shares tumbling. The comments also led to fears for this year's full dividend payment although the company said it intends to maintain at 6.5p.

By the close the shares had given up 20 to 93p,in heavy trade of 15m shares, as several analysts downgraded profit expectations for both the current and following year to take account of the gloomy trading outlook. BET's broker, BZW, shaved its current year figure by £14m to £84m.

Tobaccos fall

Tobacco groups BAT Industries and Rothmans International lost early gains as the market became convinced that US broker Salomon Brothers had downgraded the groups.

Salomons' strategist had removed cigarette and foods group RJR Nabisco from its recommended list but had not mentioned the two UK companies. However, tobacco analyst Ms Diana Temple said there was a persistent worry that US president-elect Mr Bill Clinton might increase federal excise taxes on tobacco at the second stage of the tax bill at the start of January.

BAT saw its share price swing round from a gain of 24 earlier in the day to a net fall of 10 at 955p. Rothmans, also overshadowed by the prospect of disappointing interims tomorrow, fell 11 to 596p after being 3 firmer earlier.

Wellcome wanted

Pharmaceuticals group Wellcome bucked the trend in the market and the sector with a rise of 12 to 1036p. Lehman Brothers pharmaceuticals analyst Mr Stewart Adkins discussed the stock at the morning meeting on his return from a wide ranging US road show. The house has Wellcome as a strong buy and has recommended it to 300 institutional clients over the past month. Meanwhile, Glaxo tumbled 18 to 807p in late trading on concerns that a large seller was moving back into the US market. Dealers said the New York seller offloaded up to 7m American depositary Receipts last week, equivalent to 14m shares.

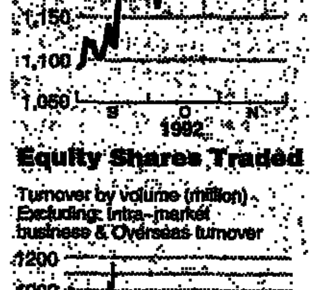
Nervousness ahead of the OPEC conference scheduled to open in Vienna tomorrow took the edge off the oil and gas sector. Earlier, leading oil stocks had made modest progress, reflecting the initial firmer trend of the dollar.The latest slide in the oil price triggered a flurry of selling and the majors were struggling as the market closed. Shell settled 3 off at 542p on 4.1m traded, while BP only just managed to stay in ahead closing a fraction harder at 232½p on 5.6m.

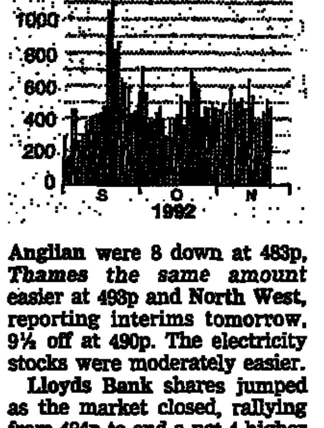
British Gas, helped early in the day by renewed buying thought to have been carried out by UBS Phillips & Drew, tumbled late in the session on the appearance of a handful of sizeable selling orders and closed 4 off at 262½p.

A number of chemicals stocks gained at the expense of ICI as concerns grow over the planned demerger of the group. Sellers of ICI, which closed 15 lower at 1009p, moved into Laporte, up 15 at 633p, BOC, 4 better at 741p, and Courtaulds, 3 firmer at 512p.

Water shares never recovered from an early bout of weakness and substantially underperformed the rest of the utilities area. UBS Phillips & Drew was said to have adopted a more bearish view of the waters although this was not confirmed.

However, turnover was unremarkable, with only Yorkshire Water and Severn Trent attracting turnover of over a million shares. The latter slipped 10 to 482p while Yorkshire bucked the overall trend and settled 2 firmer at 531p.





Anglian were 8 down at 483p, Thames the same amount easier at 493p and North West, reporting interims tomorrow, 9½ off at 490p. The electricity stocks were moderately easier.

Lloyds Bank shares jumped as the market closed, rallying from 494p to end a net 4 higher at 501p in thin turnover. Lloyds Abbey Life raced higher to close 17 up at 390p with dealers pointing out the stock's recent underperformance against the sector.

Vodafone eased 3 to 387p in front of interim figures due this morning. Profits are expected to top the £150m against last year's £140m, and the dividend increased by around 12 per cent.

Electronics group Diploma advanced 22 to 344p after the group's preliminary results eclipsed even the most optimistic of market forecasts.

Security and car auctions group ADT jumped 40 to 500p after posting a rise in third-quarter profits to $41.9m from $23m.

John Mowlem retreated 6 to 73p with the company's broker, Hoare Govett, said to have downgraded estimates for the group. NSM, which rose 45 per cent last week, eased 3 to 55p in front of interim results expected this morning.

In a dull property sector, one of the most financially troubled stocks attracted investor attention. Regalian Property, which is in breach of its banking covenants, was lifted on a rumour that a buyer had been found for its prestigious Kensington Palace Gardens. A sale would greatly alleviate Regalian's dire debt situation. The shares rose 1½ to 13½p in big turnover of 2.6m.

Speculation that Vickers would soon announce a one-for-three rights issue continued to depress the shares, which fell 4 to 81p.

A profits warning from Dagenham Motors about second-half figures caused the shares to slide 25 to 78p. Lex Service fell 6 to 230p in sympathy.

Tomkins added 3 to 215p after County NatWest issued a note indicating it had warmed to the company's bid for RHM, unchanged at 257½p. Brisk trade of around 14m shares in Tomkins' nil paid shares was seen yesterday though turnover in the ordinaries amounted to only 2.4m.

Magazine group EMAP improved 7 to 299p after posting raised half-year results and an improved dividend. However, the headline figure included £1m from a disposal and broker S.G. Warburg shaved its full-year estimate by £2m to £40m.

Television station HTV Group rose 4 to 18p, buoyed by weekend press speculation of a bid for the company. Traders said the share price strength followed an article suggesting that TV-AM which is to lose its transmission licence at the end of December, was stalking the the company.

Mirror Group Newspapers (MGN) lost ground in active trade after Sunday press reports that the group's profits would fall short of analysts' forecasts for 1992 and 1993. MGN was down 4 at one stage but rebounded to close 1½ off at 79½p.

Big turnover in Compass Group, normally a tightly-held stock, followed a 1.4m agency cross at 478p. S.G. Warburg was said to be positive and the shares edged up a penny to 479p.

Brewer Bass gained, largely at the expense of Whitbread, shares in the former jumping 10 to 575p as some in the market considered its rating undemanding. Whitbread was weakened by a flurry of mostly negative post-results notes. Japanese-owned broker Yamaichi advised clients to take profits. Whitbread slipped 4 to 445p.

Doubts whether Etam would again become a bid target for Oceana Investment Corporation circulated among analysts after the Etam chairman sold 120,000 shares on Friday. The shares slipped a penny to 242p.

Kwik Save moved forward 9 to 758p ahead of interim results tomorrow. A pre-results buy note from County NatWest for Tate and Lyle, which reports the same day, forecasts that the shares will break 400p within the next three months. The stock added 2 to 359p.

MARKET REPORTERS:
Steve Thompson,
Christopher Price,
Joel Kibazo, Peter John.

■ Other market statistics, Page 28

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (97).
AMERICANS (21) Abbott Labs., Amer. Express, Amer. T & T, Ameritech, Bell Atlantic, Chase Manhattan, Chrysler, Colgate-Palmolive, Fluor, Ford Motor, Gen. Elect., Honeywell, Lockheed, Lowe's, Southwestern Bell, Morris (Ph), Quaker Oats, Rockwell Intl., Texaco, Time Warner, Whirlpool. BANKS (2) Abbey Natl., Lloyds. BREWERS (1) Kirin. BUSINESS SERVS (2) Chubb Sec., Willis. CHEMS (2) Engelhard, Evode 7p Pf. CONTG & CONSTRCN (1) NSM. ELECTRICALS (2) Ericsson, Johnson. ELECTRONICS (4) Micro Focus, Misys, Mumtone, Racal. ENG GEN (4) Carclo, FKI, Fairey, Hobson. FOOD RETAILING (2) Iceland Frozen, Kwik Save. HEALTH & HSEHOLD (5) Amersham, Astra AB, Baxter Inc., Hurtleigh Tech., Smith & Nephew. HOTELS & LEIS (1) Granada 7½p Pf. INSCE BROKERS (1) Berry Birch. INSCE COMPOSITE (3) Comm. Union, Gen. Accident, Sun Alliance. INSCE LIFE (3) Britannic, Lincoln Natl., Prudential. INV TRUSTS (23) Amer. Tst., Do B. Anglo & O'seas, Baring Pums, Brit. Assets, ECU Wts., Edinburgh Inv., Fleming Amer., Foreign & Col. Enterprise, Govett Amer. Smllr. Co's., Law Debenture, Majedie Inv., Monks Inv., Murray Inc., Do B, Murray Intl., Scot. Natl. Zero Pf., Scot. Mortgage, Second Alliance, Select Assets Ln. '13, Do Series II, TR Tech. Zero Pf., Thai Euro Fd. MEDIA (6) Metal Bulletin, News Corp., News Intl., Reuters, Telegraph, Utd News. MISC (1) BAT Inds. MOTORS (1) First Tech. OIL & GAS (3) Brit. Gas, Exxon, Kelt Energy. OTHER FINCL (1) Perpetual. OTHER INDLS (1) Scapa. PACKG. PAPER & PRINTG (1) Clondalkin. PROP (1) Lon. Merchant Secs. 7¼pc Cv '00-05. STORES (3) Betterware, Burton, Ordiame. TEXTS (1) Toray. TRANSPORT (1) GATX.

NEW LOWS (40).
BRITISH FUNDS (1) Treas. 8pc '09 A. CANADIANS (1) TVX Gold. BLDG MATLS (1) Harrison Inds. CONTG & CONSTRCN (1) Severfield-Reeve. ELECTRONICS (2) Borland Inc., CML Microsystems. ENG AERO (1) Ipeco. ENG GEN (3) Bullough, Hall, Victaulic. FOOD MANUF (1) Golden Vale. FOOD RETAILING (1) Appleby Westward. INV TRUSTS (1) SPLIT Inc. MEDIA (4) Chiltern Radio, Metro Radio, Osprey Comms., Yorks Tyne-Tees. MTL & MTL FORMING (1) Meaco. MISC (1) Hornby. MOTORS (2) Dagenham, Vardy (Reg). OIL & GAS (1) Crossroads. PACKG. PAPER & PRINTG (2) Buhrmann-Tetterode, PrinTech.

FINANCIAL TIMES EQUITY INDICES

	Nov 23	Nov 20	Nov 19	Nov 18	Nov 17	Year ago	High	Low
Ordinary share	2034.3	2035.9	2017.8	2012.2	[illegible]	[illegible]	[illegible]	[illegible]
Ord. div. yield	4.54	4.53	4.58	4.59	[illegible]	[illegible]	[illegible]	[illegible]
Earning yld % full	6.34	6.33	6.40	6.46	[illegible]	[illegible]	[illegible]	[illegible]
P/E ratio net	20.10	20.13	19.91	19.72	[illegible]	[illegible]	[illegible]	[illegible]
P/E ratio nil	18.56	18.59	18.38	18.22	[illegible]	[illegible]	[illegible]	[illegible]
Gold Mines	63.3	64.3	64.1	66.0	[illegible]	[illegible]	[illegible]	[illegible]

*For 1992 Ordinary share index since compilation: high 2149.7 ... Gold Mines index since compilation high: 734.7 15/2/83- low ... Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00
2037.9	2046.6	2041.6	2044.1	2038.9	2040.0	2040.2

Volume	Nov 23	Nov 20	Nov 19
SEAQ Bargains	27,253	26,527	25,807
Equity Turnover(£m)†	-	1009.0	1204.5
Equity Bargains†	-	30,470	28,193
Shares traded (mil)†	-	475.7	519.4

† Excluding intra-market business and overseas turnover.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2722.9 -9.5	2624.2 +0.8	1291.28 -3.15

	Nov 23	Nov 20	Nov 19	Nov 18	Nov 17	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2722.9	2732.4	2705.2	2704.0	2679.2	2471.5	2737.8	2281.0	2737.8	986.9
FT-SE Mid 250	2624.2	2623.4	2616.9	2610.9	2598.0	2433.4	2825.0	2157.8	2825.0	1379.4
FT-SE-A 350	1316.8	1320.4	1309.5	1308.1	1297.3	1200.8	1342.7	1103.1	1342.7	664.5

EQUITY FUTURES AND OPTIONS TRADING

AN EARLY squeeze in stock index futures sent the December contract to its highest level to date, in a session marked for a lack of other features and poor turnover, writes Joel Kibazo.

Having opened at 2,747, the December contract on the FT-SE was squeezed higher by independent traders (locals) and reached 2,769 which not only proved to be the day's peak but also the highest level reached by the current contract, within the first hour of trading.

This early momentum helped pull the underlying cash market higher and briefly through its all time high.

But with trade rather thin as the large institutions remained on the sidelines, December lost some of the early momentum and traded in a narrow range of 2,745 and 2,760 for the middle part of the session. The late morning release of balance of payment figures had no significant impact on trading.

However, it was the early weakness on Wall Street that caused a change in sentiment sending the contract into retreat.

December closed at 2,723, the day's low point, and around 5 points below its estimated fair value premium to cash of about 9. turnover was a poor 5,470.

Traded options were dull with total volume reaching 22,176 lots of which 9,233 contracts were dealt in the FT-SE 100 option.

LONDON SHARE SERVICE

BRITISH FUNDS

AMERICANS

Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's
Abbott Labs......h	21xd	+¼	21	14⅞	17,713	1.8
♥Allegheny & W	448p	+20	454p	226p	281.2	4.2
Amdahl	528p	-11	1150p	455p	584.0	1.2
Amer Cyanamid	37¼	+¼	37⅝	28⅝	3,361	2.8
Amer Express	14¼xd	+⅛	14¼	10⅛	7,032	4.3
Amer T & T	31½xd	+⅞	31½	20⅛	41,851	2.6
Ameritech	44⅞	+1⅛	44⅞	32½	18,429	6.0
BankAmerica	28⅛xd	+1⅛	28½	19⅛	9,690	2.9
Bankers NY	43⅛xd	+⅝	44	28⅞	3,481	4.1
Bell Atlantic	31½	+½	31½	23⅛	13,599	5.2
BellSouth	32¾	+½	34⅛	25	16,010	5.3
♥Bethlehem Steel	8⅞xd	+⅜	9⅜	5¼	802.8	-
Bowater	1581pxd	+62	1570p	905p	542.6	5.0
CPC......h	32⅞xd	+⅝	33	22½	4,592	2.3
♥Cadiz Land Inc	120p	-	342p	108p	-	-
California Engy	882p	-11	888p	591p	178.8	-
Chase Manhattan	17⅞xd	+⅛	17⅞	9⅛	2,883	4.3
Chrysler	19⅜xd	+⅞	19⅜	6⅛	5,610	2.0
Citicorp	12⅛xd	+⅜	12⅞	6⅞	4,455	-
Colgate-Palm	38⅞xd	+1⅝	39⅞	25¼	5,398	2.0
Cont'l Bank	1248p	+20	1258p	490p	1,268	3.0
Dana	28⅜xd	+¼	28⅜	14⅞	1,282	3.6
Data General	767p	+7	1084p	384p	211.6	-
♥Decora Inds	148p	-	148p	65p	-	-
Dun & Brad	37½	+⅛	38½	27⅝	6,869	3.8
Eaton	46⅞	+¼	48½	32½	1,669	3.0
Echlin	13⅞xd	+¼	13½	7⅞	772.8	3.3
FPL	23⅜xd	-⅛	23¼	17⅞	4,211	6.6
Fluor	29¼xd	+1⅛	29¼	19⅞	2,412	0.8
Ford Motor	28⅝xd	+1⅞	28⅝	15	12,999	2.4
Gen Elect	52⅞xd	+2⅛	52⅞	35⅛	46,171	2.8

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+or -	1992 High	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv.	181½	-½	183	147	3.2	213.7	14.9
Warrants	32½	—	38	21	—	—	—
Scot Mortgage	174½	+½	178	135	3.8	201.7	12.8
Scot National Inc	78xd	+½	107	65¾	15.5	—	—
Cap	18	—	42	12½	—	33.9	46.9
Stepped Pf	152¾	—	156½	128	8.8	—	—
Zero Div Pf	282½	+½	282½	180½	—	—	—
Warrants	5	—	9	3	—	—	—
Scot Value	66	—	66	48	3.6	68.2	3.2
Sec Alliance	1339	—	1348	1066	3.8	1517.7	11.8
Second Market	254	—	255	222	6.8	295.3	14.0
Sec Tst Scot	71½	—	78½	61	6.1	77.8	7.7
Select Assets	108	+1	108	78½	1.1	157.9	31.6
Eq Ind Serl	125	+1	125	106	4.5	—	—
Eq Ind SerII	125	+1	125	106	4.5	—	—
SHIRESCOT	99	—	99	96	—	101.3	2.3
Shires	229	+5	240	188	10.9	219.3	-4.9
11pc Cv Ln '03/04	£117	—	£118½	£95½	9.4	—	—
Scot Select	98	—	103	66	4.3	130.6	24.6
Warrants	15	—	21	10	—	—	—
Smaller Cos	66	—	85	66	5.1	78.4	16.3
Warrants	13	—	28	10	—	—	—
Somerset Tst	113	—	140	55	—	86.3	-30.2
Sphere Inc	12½	—	28	9½	38.1	23.8	47.5
Zero Div Pf	77	+½	77¾	63¼	—	—	—
Summit	35	—	65	30	4.8	93.4	62.5
TR City of Lon	118½	—	127½	97½	5.4	119.2	0.1
TR Euro Growth	76	—	98	70	2.4	97.8	22.8
Ptg Sub	38	—	54	33	5.5	—	—
TR Far East Inc	111xd	—	115	78	5.4	121.1	8.7
Warrants	19½	+1	22	12	—	—	—
TR High Inc	110	—	118	91	7.3	105.5	-3.8
Sub	21	—	35	21	9.5	—	—
[illegible]							

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

Notes	Price	+or -	1992 High	low	Mkt Cap£m	Yld Gr's
[illegible]						
Greenwich Res	5½	—	11	2	4.05	—
Hemlo Gold C$	24¼	+¼	£5⅛	£3¼	488.7	2.4
Ivernia West	39	—	58	32	19.6	—
Kells Mins	13	—	42	12	0.31	—
Kenmare	3¼	—	6½	2¼	3.88	—
Meinga Res	13	-2½	48	8	1.48	—
Navan Res	33½	—	33½	16	4.48	—
Oryx Gold	48	—	103	47½	—	—
Plateau	38	—	13	3	1.37	—
RTZ	583	-10	689	469	5,947	4.4
Vizcaya	1¼	—	3	1	0.67	—
Western & Pac C$	21½	—	88	7	11.8	—

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ψ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend yield, p/e ratio based on latest annual earnings. n Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes [illegible] 1992-93 & Estimated annualised yield, p/e based on latest annual earnings. ¶ Yield based on prospectus or other official estimates for 1993-94. [illegible] Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0644, quoting the code FT7030. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

FT Cityline

Real time share prices and other stock market information is available through the FT Cityline international telephone service.
Annual subscription £250.00 stg.
Call +44 71-925 2128 for more details.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	150 2	151 9xd	159 9	+3 60	0.00
AIB Grofund Equity	5	193 6	196.5	207 9	+1 70	1 80
AIB Grofund Euro	5	141 0	143 1	150 6	-0.30	0.77
AIB Grofund Expl Balanced	9	96 00	97 68	100 7	+0.40	0 00
AIB Grofund Gilt	3	74 93	74 96	77 27	-0 11	6.56
AIB Grofund Japan	5	122.3	123 7xd	130 2	+1.40	0 00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	386 0	388.0	412.8	+4 5	3 09
General Acc	5	420.3	422 6	449.6	+5.0	3 09
UK Growth Acc	6	282.4	286.7xd	305 1	+3.0	3 51
UK Growth Inc	6	202.4	205 5xd	218.7	+2.2	3.51
Higher Inc Acc	6	495 7	493 8xd	525.4	+3.1	4.90
Higher Inc Inc	6	299 7	304 6xd	324 1	+1.9	4 90
Gilts/Fxd Int Acc	5½	166.4	166.4	175.7	-0 2	6 88
Gilts/Fxd Int Inc	5½	89 64	89 64	94.69	-0.1	6 88
Nth America	6	248.1	253 0xd	269 2	+5 0	0 00
Far East	6	232 4	232 4xd	247.3	+3 0	0.20
Europe	6	195 6	195 6	208 1	-0 9	0 72
Brit Fxd Inc	6	57 84	57 84xd	61 54	+0 77	3 66
Brit Fndmntls Acc	6	74 86	74 86	79 64	+0.57	5 70

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing: 0277 261010. Enq: 0903 204631

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income	5	229 9	235.9xd	248 8	+2.5	5 66
(Accum Units)	5	391.8	398.6	424.0	+4.2	5.66
UK Growth	5	298.2	300 8xd	320 0	+3.1	3.22
(Accum Units)	5	371.2	374.5	398.4	+3.8	3.22
Int Equity Gth ♦	5	54.39	54.54xd	58.02	+0 75	1.15
Intl Bond	5	63.40	63.40xd	66.58	+0.31	6.16
Special Sits Gwth	5	15.29	15 67	16 67	+0.19	2.92
North American Gwth	5	87 23	87.56	93.14	+2.21	0.92
European Growth ♦	6	54 23	54.59xd	58 07	+0.07	1 06

NM Unit Trust Mngrs (1200)F
The Bilton Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 387730

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5¼	40.08	40.08xd	42.75	+0 79	0.77
(Accum Units) ♥	5¼	43 68	43.68	46.59	+0.80	0.77
Australian ♥	5¼	215.50	217.90	233.70	+11.9	0.00
(Accum Units) ♥	5¼	243.70	246.40	264 30	+12.5	0.00
Conscience	5¼	54.80	54.80	58.48	+0.28	1.57
(Accum Units)	5¼	58.43	58.43	62.35	+0.30	1.57
European	5¼	150.00	150.00	160.00	-0.70	1.04
(Accum Units)	5¼	160 00	160.00	170.60	-0.90	1.04
Extra Income	5¼	66.60	66.60	71.07	+0.39	6.36
(Accum Units)	5¼	98.90	98 90	105.50	+0.60	6.36
Far East Gth Acc	5¼	128.50	128.50xd	137.30	+1.30	0.04
Gilt & F.I.	3¼	56.47	56 47	59.78	-0.04	7.71
(Accum Units)	3¼	129.60	129.60	137.10	-0.10	7.71
Gold ♥	5¼	24.83	24.83	26.69	+0.37	0.00
(Accum Units) ♥	5¼	26.74	26.74	28.75	+0.37	0.00
Income	5¼	45.99	45.99	49.05	+0.44	5.81
(Accum Units)	5¼	134 60	134.60	143.50	+1 39	5.81
Intl	5¼	25.70	25.70xd	27.57	+0.27	0.98
(Accum Units)	5¼	36.94	36.94	39.63	+0.38	0.98
Jap Smaller Cos	5¼	218.30	218 30	232.80	+1.90	0.00
Sing & Malaysian	5¼	128 60	128 60	137.90	+1.60	0.00
(Accum Units)	5¼	133.80	133.80	143.40	+1.70	0.00
Smaller Co's	5¼	19.16	19.16	20.60	+0.07	2.33
(Accum Units)	5¼	21.93	21.93	23.58	+0.07	2.33
Special Sits	5¼	27.23	27.23xd	29.27	+0.28	2.08
(Accum Units)	5¼	31.07	31.07	33.40	+0.32	2.08
Sterling Deposit	0	100.1	100.10	100.10	+0.18	6.58
(Accum Units)	0	100.1	100.10	100.10	+0.18	6.58
Tokyo	5¼	58 63	58.63	62.53	+0.75	0 00
(Accum Units)	5¼	59.22	59.22	63.16	+0.75	0.00
UK Equity	5¼	146 70	146.70	156.40	+1.78	3.20
(Accum Units)	5¼	269.40	269.40	287.30	+3.20	3.20
US Smaller Cos ♥	5¼	94.16	95.94	102.60	+4.23	0.00

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries 0277 227300 Dealing: 0277 261010						
Intl Bond & Conv	5	116.90	117.20	125.40	+0.10	6.16
Pooled Pension ‡	3½	£137.4	141.8	146.7	.....	–
Smaller Cos	5	50.55	52.32	55.07	+0.07	2.56
UK General	5	111.20	112.80	118.70	+1.98	2.76
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	359.64	359.64	383.22	+3.42	5.41
Global Inc	5	51.12	51.12	54.19	+0.49	4.49
Brit Leaders	5	303.56	303.56	323.77	+3.09	3.18
Intl Leaders	5	165.21	165.21	175.12	+2.76	1.87
P As Man Bal Cash Acc	3½	48.30	49.34	51.26	+0.05	0.51
P As Man Bal Cash Inc	3½	48.30	49.34	51.26	+0.05	0.51
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	46.08	46.08	49.01	-0.08	1.67
Far Eastern Tst	6	52.62	53.12	56.51	+0.76	0.86
Smaller Cos	5	110.3	115.1	122.4	+0.9	3.05
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American ‡	5	261.5	262.0	277.2	+1.3	0.94
S & W Capital	5	106.2	106.2	113.8	+0.6	1.90
S & W Cash ‡	0	101.20	101.20	101.20	+0.01	7.24
S & W European	5	103.7	103.9	109.9	+0.2	1.32
S & W Far Eastern	5	108.7	109.6	115.9	+1.6	0.00
S & W Growth	5	113.4	114.4	121.2	+0.7	2.42
S & W Income	5	100.2	101.4	107.3	+0.4	5.41
S & W Magnum	5	112.6	112.6	120.8	+0.7	1.83
S & W Smlr Secs	5	246.1	251.3	265.9	+1.3	0.81
S & W Thoroughbred	5	130.1	130.1	139.5	+0.8	1.62
Societe Generale Touche Remnant (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
4 Hourly Pricing – 12 Noon Historic						
American Gwth	5¼	74.59	74.59	79.77	+0.77	0
Eur Sp Sits Acc	5¼	40.22	40.22	42.87	-0.38	0
Eur Sp Sits Inc	5¼	37.98	37.98	40.49	-0.37	0

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd

Reliance Mutual

Scottish Mutual Assurance plc

Sun Alliance Group—Contd.

Albany International Assurance Ltd

Target International Group

Property Life Assurance Ltd

J Rothschild Assurance PLC

Scottish Provident Institution

Sun Life Unit Assurance Ltd

CMI Insurance Co Ltd

MANAGEMENT SERVICES

Providence Capital Life Assc. Co Ltd

Royal Heritage Life Assurance Ltd

Scottish Widows' Group

Swiss Life (UK) PLC

Eagle Star Intl Life

Equitable Life (International)

Swiss Pioneer Life Inc

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

TSB Life Ltd

Finesco International Ltd

Hafnia Prolific International

Target Life Assurance Co Ltd

Royal Life Insurance Ltd

Hansard International Ltd

Royal Liver Assurance

Isle of Man Assurance Ltd

NEL Britannia International Ltd

Teachers' Assurance Company Ltd

Provident Life Assoc Ltd

Save & Prosper Group

Templeton Life Assurance Limited

PanEuroLife societe anonyme

OFFSHORE AND OVERSEAS

Provident Mutual Life Assc. Assn.

Standard Life Assurance Company

Tunbridge Wells Equitable

Providence Capital International Ltd

Scottish Amicable

Wesleyan Assurance Society

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Prudential Assurance Co

Sun Alliance Group

Windsor Life Assur. Co Ltd

Prudential Corporate Pension Funds

Royal Life Intl. Ltd

Lloyd George Management

Scottish Equitable Life Assce. Soc.

Woolwich Life Assurance Co Ltd

Royal Skandia Life Assurance Ltd

GUERNSEY (REGULATED)(**)

Prudential Individual Life Funds

Zurich Life Assurance Co Ltd

CANADA (SIB RECOGNISED)

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Scottish Life Investments

Prudential Individual Pension Funds

Abtrust Intl Assurance (Bermuda) Ltd

Sun Alliance International Life

GUERNSEY (SIB RECOGNISED)

Merrill Lynch Guernsey

Midas Capital Mngt (Europe) Ltd

Rothschild Asset Mngmt (CI) Ltd

Schroder Investment Mngt (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

Rudolf Wolff Capital Mngmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd

Hafnia Prolific International Ltd

Morgan Grenfell Investment Funds Ltd

IRELAND (REGULATED)(**)

Bank of Ireland Unit Managers Ltd

Baring International Fd Mngrs (Ireland) Ltd

Baring Mutual Fund Mngrs (Ireland) Ltd

Federated International Funds Plc

GT Asset Management (Ireland) Ltd

Gartmore Portfolio Managers Limited

Hambros Fund Managers (Ireland) Ltd

Irish Life International Fd Mngrs Ltd

Morgan Grenfell Fund Mngrs (Ireland) Ltd

Sanwa International (Ireland) Plc

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mgrs

Asset Global Funds Ltd

Gartmore Fund Managers (IoM)

Sun Life International (IoM) Ltd

ISLE OF MAN (REGULATED)(**)

ATC Fund Management (IoM) Ltd

AXA Equity & Law Intl Fund Mgrs

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

John Govett Management (IoM) Ltd

هكذا اصل الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or −	Yield Gross
IBT Global Funds Limited				
Intl Stlg Grth	£20.04	21.10	–	–
Intl $US Grth	$17.62	18.56	–	–
High Income Grlt	£26.03	26.90	–	–
International Equity	£20.37	21.45	.....	–
International Bond	£22.79	23.63	–	–
Managed Currency	£27.73	28.02	.....	–
Sterling Currency	£26.39	26.66	–	–
US$ Currency	$37.71	38.10	–	–
Irish £ Currency	I£15.08	15.25	–	–
R & H Fund Managers Ltd				
LFM Sterling Fd	£11.05	11.32	–	–
B F Offshore Inc Fd Ltd	£11.55	12.15	–	–
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£9.02	9.20	–	–
Norton Mutual W/W S/S	£8.96	9.53	–	–

JERSEY (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 36633						
AIB Currency Funds Ltd						
Intl Managed Bond	5		£– 20.8132	20.8209		–
Managed Capital Bd	5		£– 20.9326	20.9947		–
AIB Grofund Currency Fund Limited						
Stlg Mand Currency	5		£–	10.9186		–
Sterling Currency Fd	5		£–	10.5062		–
Ecu Currency	5		Ecu–	10.7141		–
US Dollar Mngd Curr	5		$–	21.3723		–
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						
Australian Eq (Inc)	5¼	£0.867	0.867	0.927	[illegible]	1.0
Global Income (Inc)	5¼	£0.522	0.527	0.564	[illegible]	2.4
Global Resources	5¼	£0.400	0.404	0.432	[illegible]	0.6
Currency Funds						
Stlg Premium Income		£10.20		10.21	...	6.5

	Bid Price	Offer Price	+ or −	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust World In Port	£2.457	2.580	...	1.25
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9.90	9.94	−0.01	9.45
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Nov 19	$12.98	13.25	.....	3.02
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	52.8	55.0	–	8.12
UK Equity Fd (z)	209.6	223.0	−0.01	2.87
*Intl Bond Fd	100.8	104.0	–	7.09
*Sterling Mngd Asset Fd	533.1	561.0	...	5.00
*Sub. day every Thurs				
NatWest TrustCorr Currency Fund (z)				
Dollar Class	$38.0682		+0.0157	–
Sterling Class	£26.8313		+0.0055	–
D-Mark Class	DM83.1640		+0.0186	–
Dutch Guilder Class	Dfl82.6650		+0.0160	–
Japanese Yen Class	Y7948.3055		+0.7558	–
Ashburton Replica Portfolio Ltd				
Ashburton Replica Pfolio Ltd £	£11.17	11.64	–	–
Ashburton Replica Pfolio Ltd $	$10.24	10.64	–	–
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Nov 12	$35.22	37.45	.....	–
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Grth Fd	$3.6025	3.8284	–	–
Offshore Japanese Grth Fd	$0.8805	0.9358	–	–
Offshore Am Grth Fd	$6.2464	6.6381	–	–
Offshore Emerging Cos	$3.5793	3.8038	–	–
Offshore European Fd	$1.4386	1.5288	–	–
Offshore Far Eastn Fd	$2.2490	2.3405	–	–
Offshore UK Growth Fd	$1.7355	1.8444	–	–
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Nov 13		$4.52	–	–
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£14.42	14.64	.....	1.43
LFM Defensive Strtgy	£11.25	11.85	–	–
Royal Trust Intl Fd Mgmt Ltd				

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

ERM in throes of crisis

THE EUROPEAN exchange rate mechanism again appeared on the verge of a crisis yesterday after the weekend devaluations of the Spanish peseta and Portuguese escudo failed to staunch speculation against currencies at the core of the system, *writes James Blitz*.

The intention of Sunday's 6 per cent devaluation of the Spanish peseta and Portuguese escudo was to remove strains that had arisen because of the linkage of these currencies to the D-Mark at an over-valued rate.

But yesterday, the devaluations were creating a "domino effect" inside the ERM, triggering intense speculation against the Danish krone, a currency perceived to be at the hard core of the system.

Unlike the September crisis, this new bout of ERM turmoil did not have its roots in D-Mark strength alone. The perception that Germany is entering recession caused the dollar and the yen to appreciate. The US currency rose nearly a pfennig against the D-Mark, closing at DM1.6020, while the yen was at Y77.48 to the D-Mark from a previous Y77.91

Inside the ERM, however, the strains formed a familiar pattern. Despite an overnight rate of 50 per cent, the Danish authorities could not staunch the selling of the Danish currency and bonds. By the close of European trading, the currency was trading at DKr3.8818, close to its ERM floor of DKr3.9016.

The Irish punt closed at I£2.6297 against the D-Mark, and dropped below its ERM floor against the strongest currency in the system, the Belgian franc. The Irish currency remained weak, despite overnight rates rising to 30 per cent and the persistence of capital controls.

The Spanish peseta weakened despite two devaluations and a rise yesterday in interest rates. It closed at Pta 72.26 against the D-Mark, just above its new central parity of Pta72.79. The escudo remained strong, while sterling was mostly unaffected, closing up one pfennig at DM2.4325. Several analysts said yesterday that heavy speculation against the krona was absurd, considering that Denmark has a 3 per cent inflation rate and a current account surplus.

However, speculators are pushing for an early Danish devaluation because of the export competitiveness that has been lost following devaluations in other currencies.

The life or death of the EMS depends on the French franc. Analysts have come to believe that the franc is immune from devaluation because speculators were so badly burned in the last speculative battle in September. However, yesterday, the franc weakened sharply to a close of FFr3.394 from previous FFr3.386.

Mr Christopher Potts, an economist at Banque Indosuez in Paris, said that the franc may be hindered by the growing premium that speculators put on growth as a reason for purchasing currencies.

£ IN NEW YORK

Nov 23	Latest	Previous Close
£ Spot	1.5160-1.5170	1.5125 1.5135
1 month	0.58-0.57pm	0.51 0.50pm
3 months	1.25-1.22pm	1.24 1.22pm
12 months	3.51-3.43pm	3.55 3.45pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.23	Previous
8.30 am	78.8	78.6
9.00 am	78.6	78.8
10.00 am	78.5	78.7
11.00 am	78.5	77.6
Noon	78.5	77.7
1.00 pm	78.5	77.5
2.00 pm	78.5	78.6
3.00 pm	78.6	78.6
4.00 pm	78.6	78.4

CURRENCY RATES

Nov 23	Bank § rate %	Special ° Drawing Rights	European † Currency Unit
Sterling	-	0.906658	0.807859
U.S Dollar	3.00	1.38900	1.22108
Canadian $	6.18	1.77500	1.57128
Austrian Sch	8.25	15.4874	13.8104
Belgian Franc	7.75	45.1946	40.4146
Danish Krone	9.50	8.53610	7.62869
D-Mark	8.25	2.20045	1.96288
Dutch Guilder	7.75	2.47992	2.20820
French Franc	10	7.45615	6.65060
Italian Lira	13.00	1908.11	1698.85
Japanese Yen	3.25	171.680	151.621
Norway Krone	-	8.99100	8.00539
Spanish Peseta	-	157.764	142.582
Swedish Krona	12.50	8.26185	8.27342
Swiss Franc	6.00	1.98071	1.76751
Greek Drach	19	N/A	255.572
Irish Punt	-	N/A	0.747981

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. ° All SDR rates are for Nov.20

CURRENCY MOVEMENTS

Nov 23	Bank of England Index	Morgan** Guaranty Changes %
Sterling	78.5	-31.32
U S Dollar	65.8	-11.90
Canadian Dollar	93.7	-7.91
Austrian Schilling	113.9	+15.40
Belgian Franc	115.4	+1.32
Danish Krone	115.2	+8.34
D-Mark	124.4	+30.47
Swiss Franc	112.1	+20.21
Dutch Guilder	119.0	+20.30
French Franc	108.8	-7.92
Lira	87.7	-28.55
Yen	151.3	+86.96
Peseta	97.2	-25.32

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Nov.20

OTHER CURRENCIES

Nov 23	£	$
Argentina	1.5020 - 1.5045	0.9935 - 0.9945
Australia	2.2130 - 2.2150	1.4630 - 1.4640
Brazil	14165.8 - 14170.7	9368.90 - 9369.10
Finland	7.6440 - 7.6520	5.0800 - 5.1500
Greece	312.950 - 319.200	206.900 - 211.040
Hong Kong	11.7045 - 11.7170	7.7370 - 7.7380
Iran	2201.00*	1455.00*
Korea(Sth)	1175.30 - 1194.25	784.40 - 790.60
Kuwait	0.45300 - 0.45400	0.29960 - 0.29990
Luxembourg	49.95 - 50.05	32.90 - 33.00
Malaysia	3.8175 - 3.8245	2.5235 - 2.5245
Mexico	4711.55 - 4714.60	3112.00 - 3114.00
N.Zealand	2.9305 - 2.9340	1.9355 - 1.9380
Saudi Ar	5.6245 - 5.7200	3.7495 - 3.7505
Singapore	2.4715 - 2.4780	1.6345 - 1.6355
S.Af (Cm)	4.5595 - 4.5700	3.0135 - 3.0155
S.Af (Fn)	7.5320 - 7.5700	4.9750 - 5.0000
Taiwan	38.40 - 38.55	25.35 - 25.45
U.A.E.	5.5075 - 5.6020	3.6715 - 3.6735

*Floating rate. Iran Official rate:£99.65 $66.35

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 23	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	182.194	175.481	-3.68	5.61	62
Spanish Peseta	143.386	142.582	-0.56	2.29	10
Belgian Franc	40.6304	40.4146	-0.53	2.26	27
Dutch Guilder	2.21958	2.20820	-0.51	2.24	27
D-Mark	1.96992	1.96288	-0.36	2.08	25
French Franc	6.60683	6.65060	0.66	1.05	-35
Danish Krone	7.51410	7.62869	1.52	0.19	-68
Irish Punt	0.735334	0.747981	1.72	0.00	-76

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Nov 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5050 - 1.5190	1.5180 - 1.5190	0.58-0.56cpm	4.50	1.26-1.23pm	3.28
Canada	1.9280 - 1.9505	1.9470 - 1.9480	0.16-0.34cdis	-1.54	0.48-0.98dis	-1.50
Netherlands	2.7180 - 2.7435	2.7325 - 2.7425	¼-½cdis	-1.64	1-1¼dis	-1.64
Belgium	48.60 - 50.15	49.95 - 50.05	3-9cdis	-1.44	13-21dis	-1.36
Denmark	9.3980 - 9.4475	9.4375 - 9.4475	N/A	N/A	N/A	N/A
Ireland	0.9090 - 0.9305	0.9245 - 0.9255	1.55-1.15cpm	17.51	2.95-2.25pm	11.24
Germany	2.4220 - 2.4395	2.4300 - 2.4350	¼-¾pfdis	-1.54	¾-1¼dis	-1.64
Portugal	216.40 - 218.95	216.40 - 217.40	440-750cdis	-32.92	720-1180dis	-17.52
Spain	171.55 - 176.55	175.65 - 175.95	120-155cdis	-9.39	325-365dis	-7.85
Italy	2083.40 - 2111.10	2108.00 - 2109.00	10-13liredis	-6.54	36-40dis	-7.21
Norway	9.6930 - 9.9790	9.8950 - 9.9050	N/A	N/A	N/A	N/A
France	8.0180 - 8.2625	8.2525 - 8.2625	2-2⅞cdis	-3.54	5¼-6⅝dis	-3.00
Sweden	10.0480 - 10.3430	10.2025 - 10.2125	N/A	N/A	N/A	N/A
Japan	186.90 - 189.00	188.00 - 189.00	⅝-½ypm	3.58	1⅝-1½pm	3.32
Austria	17.01 - 17.12	17.04 - 17.07	1¾-2⅝grodis	-1.50	6-7⅜dis	-1.63
Switzerland	2.1695 - 2.2040	2.1800 - 2.1900	⅜-¼cpm	1.72	⅛-¼pm	0.69
Ecu	1.2355 - 1.2410	1.2400 - 1.2410	0.30-0.39cdis	-3.34	0.60-0.67dis	-2.05

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.20-2.15pm. 12 Month 3.55-3.45pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5050 - 1.5190	1.5180 - 1.5190	0.58-0.56cpm	4.50	1.26-1.23pm	3.28
Ireland†	1.6235 - 1.6415	1.6380 - 1.6390	2.45-2.00cpm	16.30	5.20-4.60pm	11.96
Canada	1.2790 - 1.2880	1.2840 - 1.2850	0.60-0.70cdis	-6.07	1.40-1.70dis	-4.83
Netherlands	1.7980 - 1.8145	1.8020 - 1.8030	0.90-0.93cdis	-6.09	2.14-2.20dis	-4.82
Belgium	32.90 - 33.10	32.90 - 33.00	15.50-16.50cdis	-5.83	36.00-39.00dis	-4.55
Denmark	6.2150 - 6.2985	6.2150 - 6.2200	3.45-4.40oredis	-7.58	9.50-11.00dis	-6.59
Germany	1.5980 - 1.6140	1.6015 - 1.6025	0.81-0.83pfdis	-6.14	1.96-1.99dis	-4.93
Portugal	142.80 - 144.00	142.80 - 142.90	175-375cdis	-23.10	425-675dis	-15.40
Spain	114.30 - 116.90	116.20 - 116.30	125-155cdis	-14.45	325-395dis	-12.39
Italy	1385.00 - 1394.00	1388.25 - 1388.75	13.50-15.50liredis	-12.53	35.00-38.00dis	-10.51
Norway	6.5175 - 6.5850	6.5175 - 6.5225	3.75-4.50oredis	-7.59	10.00-11.50dis	-6.60
France	5.4225 - 5.4540	5.4350 - 5.4400	3.40-3.80cdis	-7.94	8.25-8.75dis	-6.25
Sweden	6.7125 - 6.8285	6.7200 - 6.7250	4.50-5.80oredis	-9.19	114.00-16.00dis	-38.68
Japan	123.90 - 124.25	124.10 - 124.20	0.06-0.07ydis	-0.63	0.05-0.03pm	0.13
Austria	11.2750 - 11.3250	11.2750 - 11.2800	5.45-5.85grodis	-6.01	12.90-14.00dis	-4.77
Switzerland	1.4355 - 1.4590	1.4385 - 1.4395	0.39-0.42cdis	-3.38	0.94-0.99dis	-2.68
Ecu	1.2185 - 1.2250	1.2240 - 1.2250	0.81-0.76cpm	7.69	1.94-1.89pm	6.26

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Nov 23	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	7 - 6¾	7 - 6¾	7¼ - 7	7⅛ - 7	6⅞ - 6¾	6¾ - 6⅝
US Dollar	3⅛ - 2⅞	3¼ - 3⅛	3¼ - 3⅛	3⅝ - 3½	3⅞ - 3¾	4⅜ - 4¼
Can. Dollar	9 - 8¾	8⅞ - 8⅝	8½ - 8¼	8⅝ - 8⅜	8½ - 8¼	8¼ - 8
Dutch Guilder	8⅞ - 8¾	8⅞ - 8¾	8⅞ - 8¾	8⅝ - 8½	8¼ - 8⅛	7⅞ - 7¾
Swiss Franc	6⅛ - 5⅞	6⅛ - 5⅞	6⅛ - 6⅛	6⅛ - 6⅛	6⅛ - 6⅛	6 - 5⅞
D-Mark	8¾ - 8⅝	8¾ - 8⅝	8¾ - 8⅝	8¾ - 8⅝	8⅝ - 8½	7¾ - 7⅝
French Franc	11 - 10	11 - 10	11 - 10½	10¼ - 9¾	9¾ - 9¼	9¼ - 8¾
Italian Lira	15 - 13	14 - 13½	14¼ - 14	14½ - 14¼	14 - 13½	13¾ - 13¼
Belgian Franc	8⅞ - 8¾	8¾ - 8⅝	8⅞ - 8¾	8⅝ - 8½	8¼ - 8⅛	7⅞ - 7¾
Yen	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	3¾ - 3⅝	3⅝ - 3½
Danish Krone	30 - 20	30 - 20	25 - 20	15 - 11	12 - 11	10 - 9½
Asian $Sing	1½ - 1⅜	1⅝ - 1½	1⅝ - 1½	2⅛ - 2	2¼ - 2⅛	2⅞ - 2¾
Spanish Peseta	15 - 14½	15 - 14½	15 - 14¾	15 - 14½	15 - 14¾	15 - 14
Portuguese Esc	16 - 15	16 - 14¾	16 - 15½	15¼ - 14¾	15¼ - 14¾	15 - 14¼

Long term Eurodollars: two years 5-4⅞ per cent; three years 5⅝-5½ per cent; four years 6⅛-6 per cent; five years 6½-6⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov.23	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.519	2.433	188.5	8.258	2.185	2.738	2109.	1.948	32.95	175.8	1.241
$	0.658	1	1.602	124.1	5.436	1.438	1.803	1388	1.282	21.69	115.7	0.817
DM	0.411	0.624	1	77.48	3.394	0.898	1.125	866.8	0.801	13.54	72.26	0.510
YEN	5.305	8.058	12.91	1000.	43.81	11.59	14.53	11188	10.33	174.8	932.6	6.584
F Fr.	1.211	1.839	2.946	228.3	10.	2.646	3.316	2554	2.359	39.90	212.9	1.503
S Fr.	0.458	0.695	1.114	86.27	3.779	1	1.253	965.2	0.892	15.08	80.46	0.568
H Fl.	0.365	0.555	0.889	68.85	3.016	0.798	1	770.3	0.711	12.03	64.21	0.453
Lira	0.474	0.720	1.154	89.38	3.916	1.036	1.298	1000.	0.924	15.62	83.36	0.588
C$	0.513	0.780	1.249	96.77	4.239	1.122	1.406	1083	1	16.91	90.25	0.637
B Fr.	3.035	4.610	7.384	572.1	25.06	6.631	8.310	6401	5.912	100.	533.5	3.766
Pta	0.569	0.864	1.384	107.2	4.697	1.243	1.557	1200	1.108	18.74	100.	0.706
Ecu	0.806	1.224	1.961	151.9	6.654	1.761	2.206	1699	1.570	26.55	141.7	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
96	3-62	4-04	0	0-40
97	2-62	3-30	0	0-56
98	1-62	2-41	0	1-13
99	0-62	2-02	0	1-38
100	0	1-35	0-02	2-07
101	0	1-09	1-02	2-45
102	0	0-52	2-02	3-24
103	0	0-36	3-02	4-08

Estimated volume total, Calls 1338 Puts 3940
Previous day's open int. Calls 34454 Puts 67482

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
99	4-01	3-51	0-37	1-35
100	3-17	3-13	0-53	1-61
101	2-37	2-42	1-09	2-26
102	2-00	2-12	1-36	2-60
103	1-31	1-50	2-03	3-34
104	1-06	1-27	2-42	4-11
105	0-49	1-08	3-21	4-56
106	0-34	0-57	4-06	5-41

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 8 Puts 0

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9000	1.50	2.11	0	0.10
9050	1.00	1.69	0	0.38
9100	0.50	1.30	0	0.29
9150	0	0.96	0	0.45
9200	0	0.68	0.50	0.67
9250	0	0.46	1.00	0.95
9300	0	0.30	1.50	1.29
9350	0	0.19	2.00	1.68

Estimated volume total, Calls 7130 Puts 1855
Previous day's open int. Calls 153181 Puts 126234

LIFFE EUROMARK OPTIONS DM1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9050	0.86	1.95	0	0.01
9075	0.62	1.71	0.01	0.02
9100	0.39	1.47	0.03	0.03
9125	0.20	1.23	0.09	0.04
9150	0.10	1.00	0.24	0.06
9175	0.05	0.80	0.44	0.11
9200	0.03	0.61	0.67	0.17
9225	0.01	0.43	0.90	0.24

Estimated volume total, Calls 3620 Puts 1695
Previous day's open int. Calls 175936 Puts 111357

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lire 200m 100ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
9300	2.46	3.48	0.89	1.48
9350	2.15	3.18	1.08	1.68
9400	1.86	2.89	1.29	1.89
9450	1.60	2.63	1.53	2.13
9500	1.36	2.37	1.79	2.37
9550	1.15	2.14	2.08	2.64
9600	0.96	1.92	2.39	2.92
9650	0.80	1.72	2.73	3.22

Estimated volume total, Calls 64 Puts 35
Previous day's open int. Calls 1603 Puts 473

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9200	0.97	1.70	0	0.02
9225	0.73	1.46	0.01	0.03
9250	0.50	1.23	0.03	0.05
9275	0.28	1.00	0.06	0.07
9300	0.13	0.79	0.16	0.11
9325	0.07	0.59	0.35	0.16
9350	0.04	0.42	0.57	0.24
9375	0.02	0.28	0.80	0.35

Estimated volume total, Calls 4645 Puts 3318
Previous day's open int. Calls 157779 Puts 154763

LIFFE EURO SWISS FRANC OPTIONS SFr 1m points of 100%

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

JAPANESE YEN (IMM) Y12.5m $ per Y100

LONDON (LIFFE)

PARIS

PHILADELPHIA SE £/$ OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
108	2.01	-	3.71	-	0.34	-
109	1.02	2.37	-	0.04	0.53	-
110	0.26	1.69	-	0.21	0.85	1.13
111	0.05	1.13	-	0.99	1.24	-
112	0.02	0.71	-	-	1.65	-
Open Int	222,643	162,112	19,102	236,267	118,907	10,880

Estimated volume 69,691 † Total Open Interest 769,911
† All Yield & Open Interest figures are for the previous day.

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5185	1.5128	1.5060	1.4967	1.4835

BASE LENDING RATES

	%		%		%
Adam & Company	7	Credit Lyonnais	7	McDonnell Douglas Bnk	7
Allied Trust Bank	7	Cyprus Popular Bk	7	Midland Bank	7
AIB Bank	7	Duncan Lawrie	7	Mount Banking	8
● Henry Ansbacher	7	Equatorial Bank plc	7	NatWestminster	7
B & C Merchant Bank	13	Exeter Bank Limited	8.5	Northern Bank Ltd	7
Bank of Baroda	7	Financial & Gen. Bank	8	Nykredit Mortgage Bank	7.5
Banco Bilbao Vizcaya	7	● Robert Fleming & Co.	7	● Rea Brothers	7
Bank of Cyprus	7	Girobank	7	Roxburghe Bank Ltd	10
Bank of Ireland	7	● Guinness Mahon	7	Royal Bk of Scotland	7
Bank of India	7	Habib Bank AG Zurich	7	● Smith & Williamson Secs.	7
Bank of Scotland	7	● Hambros Bank	7	Standard Chartered	7
Banque Belge Ltd	7	Hampshire Trust Plc	13.5	TSB	7
Barclays Bank	7	Heritable & Gen Inv Bnk	7	Unitbank plc	7
Brit Bk of Mid East	7	● Hill Samuel	7	● United Bk of Kuwait	8
● Brown Shipley	7	C. Hoare & Co.	7	Unity Trust Bank Plc	7
CL Bank Nederland	7	Hongkong & Shanghai	7	Western Trust	7
Citibank NA	7	Julian Hodge Bank	7	Whiteaway Laidlaw	7
City Merchants Bank	8	● Leopold Joseph & Sons	7	Yorkshire Bank	7
Clydesdale Bank	7	Lloyds Bank	7		
Co-operative Bank	7	Meghraj Bank Ltd	7		
Coutts & Co	7				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Sharp rate rises

INTEREST RATES in European money markets rose sharply yesterday after the weekend devaluations of the Spanish peseta and Portuguese escudo triggered serious tensions in other European currency markets, *writes James Blitz*.

Several central banks were forced to raise interest rates and tighten liquidity in their domestic money markets because of speculative attacks on their currencies.

UK clearing bank base lending rate 7 per cent November 13, 1992

The Irish central bank raised the overnight rate on the punt to over 30 per cent to protect the currency. In Denmark, the overnight rate for the krona was quoted as high as 50 per cent, as the Danish currency fell close to its ERM floor against the D-Mark.

The Bank of Spain also raised its key money rate by 0.75 basis points to 13.75 per cent after a 6 per cent devaluation failed to stop a new run on the Spanish peseta. Outside the ERM, the Bank of Finland set its money market tender rate at 11.35 per cent from 10.88 per cent.

As far as the future of the ERM is concerned, the most serious changes may have taken place in French markets, where cash and futures prices reflected the higher premium that dealers now demand for holding francs.

Given France's strong economic fundamentals, the franc should not be a candidate for devaluation. However, dealers believe that if the Danish krona is forced to devalue, there will be a renewed speculative attack on the franc.

Yesterday, the December franc contract fell 40 basis points to a low of 90.26, and later closed at 90.27. The March contract fell 27 basis points to a low of 91.50 and later closed at 91.54.

Three month money firmed sharply. A week ago it was being quoted at 9¼ per cent, but stood yesterday at 10½ per cent. The overnight rate was quoted at around 10 per cent, having been at 9¾ per cent a week before.

By contrast, German money market rates softened on speculation that the Bundesbank will ease policy to stall the currency crisis. The December Euromark contract rose 4 basis points to a high of 91.47, but later eased back to 91.38. At this level, it prices in a 26 basis point reduction in 3-month money before the end of the year. The prospect of Bundesbank intervention to support ailing currencies left call money relatively cheap at 8.75 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.23) 3 months US dollars		6 months US Dollars	
bid 3⅞	offer 3⅞	bid 3⅞	offer 3⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Lunchtime

Prime rate	6
Broker loan rate	5
Fed.funds	3¼
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	3.03	Three year	5.24
Two month	3.10	Five year	6.11
Three month	3.30	Seven year	6.50
Six month	3.55	10-year	6.87
One year	3.78	30-year	7.59
Two year	4.68		

Nov.23	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.75-8.85	8.85-8.95	8.85-9.00	8.80-8.95	8.45-8.60	9.50
Paris	9¼-9⅞	9⅝-10⅛	-	9⅞-9¾	-	9.10
Zurich	5¾-6	6¼-6⅜	-	6¼-6½	-	-
Amsterdam	8.68-8.81	8.65-8.73	-	8.50-8.60	-	-
Tokyo	-	-	-	-	-	-
Milan	13½-13¾	14⅛-14½	-	14½-14¾	-	-
Brussels	8⅞-8⅞	8⅞-8⅞	-	8⅝-8¾	-	-
Dublin	35-40	22-27	17-20	15-16	13½-14½	-

LONDON MONEY RATES

Nov 23	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	7⅛	7¼	7¼	7¼	6⅞	6⅝
Interbank Bid	5¼	6⅞	7⅛	7⅛	6⅞	6⅝
Sterling CDs	-	-	7	7⅛	6¾	6⅝
Local Authority Deps.	6¾	6¾	7	7⅛	6¾	6⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	6¾	6⅞	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	7	7⅛	6¾	6½
Treasury Bills (Buy)	-	-	6¾	6⅞	6½	-
Bank Bills (Buy)	-	-	6¾	6⅞	6⅝	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.12	3.50	3.59	3.95
SDR Linked Dep. Offer	-	-	5⅞	5⅞	5½	5⅞
SDR Linked Dep. Bid	-	-	5⅞	5⅞	5¼	5⅜
ECU Linked Dep. Offer	-	-	10⅛	10¼	9⅞	9⅜
ECU Linked Dep. Bid	-	-	10⅛	10	9⅜	8⅞

Treasury Bills (sell): one-month 6⅝ per cent; three months 6⅞ per cent; six months 6⅜ per cent; Bank Bills (sell): one-month 6¾ per cent; three months 6⅞ per cent; Treasury Bills; Average tender rate of discount 6.4477. ECGD Fixed Rate Sterling Export Finance. Make up day October 30, 1992. Agreed rates for period November 25, 1992 to December 25, 1992, Scheme I: 9.77 p.c., Schemes II & III: 9.63 p.c. Reference rate for period October 1, 1992 to October 30, 1992, Scheme IV&V: 8.454 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9½ from November 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 4¾ per cent; one-three months 7 per cent; three-six months 6½ per cent; six-nine months 6¼ per cent; nine-twelve months 6 per cent; Under £100,000 4¾ per cent from Oct 20, 1992. Deposits withdrawn for cash 4 per cent.

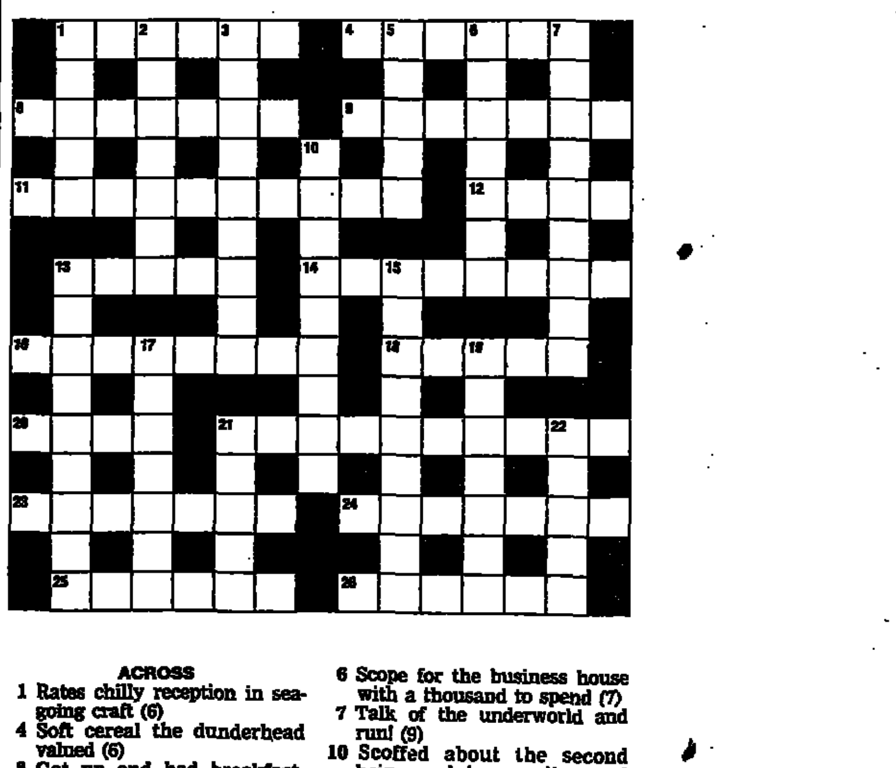
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

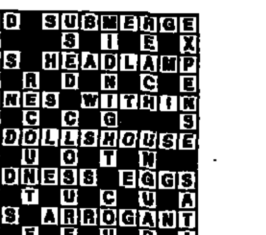
No.8,011 Set by VIXEN



ACROSS
1 Rates chilly reception in sea-going craft (6)
4 Soft cereal the dunderhead valued (6)
8 Got up and had breakfast, looking in the pink (7)
9 The least troubled crooked males appearing in court (7)
11 The main boy-friend at a particular time (10)
12 Eager for silver turnover (4)
13 Twist a point others make (5)
14 Finding records are irksome could be material (8)
16 Breaking dates – it's causing a certain antipathy (8)
18 The yarn some tell is leg-pulling (5)
20 Spell name (4)
21 Loud-mouthed artist none could change (10)
23 Risked earnings with an embarrassed look (7)
24 A drop in the ocean (3-4)
25 Seating supplied by firm with little support (6)
26 Ineffectual woman – a sheepish creature (6)

DOWN
1 A number achieve success (5)
2 Boss writing on episcopal responsibility (7)
3 Assigns time for going round school, and sets off (9)
5 Engineers on day-shift getting all prepared (6)
6 Scope for the business house with a thousand to spend (7)
7 Talk of the underworld and run! (9)
10 Scoffed about the second being unduly complimented (9)
13 This water has been put out for animals (5,4)
15 Very pleasant associate joining a board (9)
17 Interrogation without English representative could create a furore (7)
19 1 dn, not being handicapped (7)
21 He's a good man the first mate follows (5)
22 An assistant given a rough ride (5)

Solution to Puzzle No.8,010



WORLD STOCK MARKETS

CANADA

TORONTO

3 pm November 23

Quotations in cents unless marked $

MONTREAL

3 pm November 23

Total Sales 11,165,400 shares

INDICES

NEW YORK

DOW JONES	Nov 20	Nov 19	Nov 18	Nov 17	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3227.36	3209.53	3207.37	3193.32	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.15	102.07	102.18	101.92	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1359.96	1354.73	1355.13	1341.23	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	219.02	218.39	218.77	217.70	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3249.78 (3231.14) Low 3197.64 (3190.35) (Theoretical)♣
Day's High 3231.14 (3216.55) Low 3209.53 (3200.88) (Actual)♣

STANDARD AND POOR'S	Nov 20	Nov 19	Nov 18	Nov 17	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	426.65	423.61	422.85	419.27	426.65 (20/11)	394.50 (8/4)	426.65 (20/11/92)	4.40 (1/6/32)
Industrials	500.68	496.75	496.04	491.80	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	38.21	38.02	38.13	37.88	38.37 (12/11)	32.40 (8/4)	38.37 (12/11/92)	8.64 (1/10/74)
NYSE Composite	234.78	233.25	232.87	231.09	234.78 (20/11)	217.92 (8/4)	234.78 (20/11/92)	4.46 (25/4/42)
Amex Mkt. Value	392.19	389.34	386.49	384.29	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	642.61	638.57	634.86	627.07	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Nov 13	Nov 6	Oct 30	year ago (approx.)
Dow Industrial Div. Yield	3.17	3.20	3.21	3.10

	Nov 18	Nov 11	Nov 4	year ago (approx.)
S & P Industrial div. yield	2.65	2.65	2.68	2.67
S & P Indl. P/E ratio	27.71	27.72	27.31	22.04

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
West. Elec	9,182,900	9¾	- ½
Tadman	4,673,900	11⅛	...
IBM	3,709,200	62¼	+ 1
Limited	3,421,700	26⅞	+ ⅞
Am T & T	3,000,900	47⅝	+ ⅜
Philip Morris	2,754,100	79⅝	- 1⅛
Gen Motors	2,731,000	31	+ ⅝
Gen Elec	2,730,900	80	+ 1⅞
Monk Austin	2,647,800	18½	...
Merck	2,519,800	46¼	...

TRADING ACTIVITY

† Volume Millions	Nov 20	Nov 19	Nov 18
New York SE	256.340	218.700	218.660
Amex	15.558	16.136	15.005
NASDAQ	248.036	298.251	233.259
NYSE			
Issues Traded	2,366	2,364	2,379
Rises	1,088	954	1,177
Falls	700	800	629
Unchanged	578	610	573
New Highs	119	81	59
New Lows	17	32	43

CANADA

TORONTO	Nov 20	Nov 19	Nov 18	Nov 17	1992 HIGH	1992 LOW
Metals & Minerals	2572.54	2541.96	2534.99	2529.91	3238.87 (16/1)	2529.91 (17/11)
Composite	3263.90	3233.73	3231.68	3218.50	3666.00 (16/1)	3195.40 (14/10)
MONTREAL Portfolio	1733.82	1711.49	1711.36	1698.56	1937.59 (16/1)	1663.16 (14/10)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♣ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Nov 23	Nov 20	Nov 19	Nov 18	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1446.4	1410.1	1391.8	1375.1	1684.50 (22/5)	1357.20 (16/11)
All Mining (1/1/80)	585.2	565.3	557.5	553.9	726.80 (3/7)	545.40 (16/11)
AUSTRIA						
Credit Aktien (30/12/84)	322.09	322.29	322.65	319.86	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	778.87	779.79	783.71	776.62	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1137.23	1142.82	1135.20	1138.20	1235.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	262.03	265.82	269.21	272.96	365.29 (15/1)	250.42 (28/10)
FINLAND						
HEX General (28/12/90)	785.6	794.3	784.9	779.0	935.90 (24/2)	541.00 (7/9)
FRANCE						
CAC General (31/12/81)	460.01	459.78	471.84	471.60	555.93 (12/5)	441.70 (7/10)
CAC 40 (31/12/87)	1674.77	1724.18	1722.33	1759.17	2077.49 (11/5)	1611.04 (5/10)
GERMANY						
FAZ Aktien (31/12/58)	607.22	605.76	611.21	(c)	725.26 (26/5)	565.61 (12/10)
Commerzbank (1/12/53)	1717.9	1713.8	1729.8	(c)	2043.80 (25/5)	1594.60 (12/10)
DAX (30/12/87)	1530.89	1544.76	1551.65	(c)	1811.57 (25/5)	1420.30 (6/10)
HONG KONG						
Hang Seng Bank (31/7/64)	5894.97	5878.18	5855.41	5848.33	6447.11 (12/11)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1153.63	1134.11	1099.35	1102.26	1469.57 (17/1)	1094.88 (19/10)
ITALY						
Banca Com. Ital. (1972)	461.29	459.07	464.72	476.39	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	908.0	902.0	914.0	935.0	1086.00 (5/2)	696.00 (16/9)
JAPAN						
Nikkei (16/5/49)	(c)	17833.60	16871.31	16778.84	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	(c)	1276.91	1274.53	1271.21	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	(c)	1607.18	1606.78	1599.06	2459.85 (6/1)	1502.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	643.79	642.60	637.39	641.77	660.35 (5/11)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	286.7	287.3	286.7	287.8	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	193.8	193.4	193.0	193.7	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	616.89	628.90	599.03	590.89	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1299.57	1303.63	1310.59	1315.16	1580.95 (11/6)	1083.01 (17/5)
SINGAPORE						
SES All-Singapore (2/4/75)	371.80	370.93	371.63	371.47	416.99 (21/1)	351.41 (21/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	765.00	769.0	765.0	776.0	1327.00 (21/1)	746.00 (10/11)
JSE Industrial (28/9/78)	4067.00	4078.0	4065.0	4091.0	4689.00 (4/6)	3936.80 (19/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	669.46	635.55	632.49	621.25	691.48 (8/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	212.04	212.75	215.48	212.04	266.51 (28/2)	179.48 (5/10)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	(u)	821.1	754.8	724.9	1014.50 (11/5)	639.00 (5/10)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	838.5	841.8	842.8	839.2	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	627.7	630.7	631.6	628.1	682.30 (11/5)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	3698.51	3724.33	3682.38	3660.10	5391.63 (30/1)	3351.63 (26/9)
THAILAND						
Bangkok SET (30/4/75)	875.07	871.72	834.17	868.04	963.03 (5/11)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) (S)	485.1*	487.4	486.6	484.0	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	843.59	849.71	840.38	842.28	976.55 (25/5)	772.52 (5/10)

**Saturday November 21: Taiwan Weighted Price: 3,711.71, Korea Comp Ex. 654.08.
Φ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

Price data supplied by Telekurs.

3 pm November 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on next page

هكذا اصل الأصل

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

3 pm November 23

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Wolv Expl		0	16	1/8	d1/16	1/16	-1/16
WwExWSA			201	1/16	d1/32	1/32	
Worthington	0.48	23	471	22 1/8	22	22 1/4	-1/8
WPP Group	1.11	1	168	1 1/8	1 1/4	1 1/4	-1/8
Wyman-Gdn	0.40	1	70	5 1/8	4 3/4	5	
- X - Y - Z -							
Xilinx		23	2574	21	20	20 3/4	+1/8
Xoma Corp		4	887	10	9 1/4	9 1/2	-1/2
Yellow Fr	0.94	21	2384	29 3/8	27 3/4	28	-1 1/4
York Rsch		7	472	6 7/8	6 1/2	6 7/8	+1/8
ZionsUtah	1.44	11	13	u70 1/2	68	69	+1/2

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm November 23

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Oilsten x	0.22	27	448	33 1/2	32 3/4	32 3/4	
Pegasus G	0.10	27	484	12 7/8	12 5/8	12 7/8	-1/8
Perini	0.80	16	44	16 7/8	16 1/8	16 1/4	+1/4
Pet H&P	1.14	11	3	15 3/4	15 1/2	15 3/4	
Phil LD	0.28	15	251	36 3/4	35 7/8	35 7/8	-1 1/8
Pittway A	1.10	18	8	34 1/4	34	34	-1/4

AMERICA

Thanksgiving week starts in modest style

Wall Street

US share prices were mixed in modest trading yesterday morning as the Thanksgiving holiday week opened in subdued fashion, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was up 4.59 at 3,231.95, having recovered from an early double-digit decline. The more broadly based Standard & Poor's 500 was also little changed at mid-session, down 0.99 at 425.66, while the Amex composite eased 1.41 to 390.78. The Nasdaq composite index, which rose close to its all-time high last week, ran into profit-taking and dropped 4.56 to 638.04. Turnover on the NYSE was 117m shares by 1 pm, and declines outpaced rises by 927 to 682.

After last Friday, when most of the market's gains were earned from technical buying related to the monthly expiration of stock index and individual stock futures contracts, observers predicted that prices would open lower – and they did, with the Dow dropping more than 10 points in the first 30 minutes.

The level of trading activity was well below recent weeks, which was to be expected at the start of what is traditionally one of the year's slowest weeks. Thanksgiving Day is on Thursday, and many market participants extend the holiday weekend by taking Wednesday and Friday off.

Among individual stocks, Martin Marietta jumped $3⅝ to $61 in turnover of almost ½m shares after the company announced it had signed a definitive pact to merge with General Electric's aerospace business. The deal, valued at $3.05bn, will see Martin Marietta's annual revenues nearly double to about $11bn. The news left GE $1⅛ higher at $81¼ in turnover of 1.3m shares.

The big restructuring announced yesterday was Westinghouse, which climbed $2⅝, or 27 per cent, higher at $12⅝ in turnover of 3m shares after the company unveiled changes that included a withdrawal from the financial services business, the divestiture of some non-core units, a reduction in debt by more than $5bn over two years, and an after-tax charge of $1.13bn.

Eastman Kodak firmed $¾ to $41⅛ on the news that the company is selling its loss-making Atex subsidiary. ADRs in BET plunged $1¾ to $5¾ after the company unveiled a 43 per cent drop six-month profits.

On the Nasdaq market, Cytogen bucked the wider trend, rising $⅝ to $17¾ after Merrill Lynch, the big securities house, reaffirmed its "above average" rating on the stock and set a 12-month price target for the shares of around $25.

Canada

TORONTO stocks remained under pressure at midday as the market continued to focus on weakness in the Canadian dollar and Canadian bonds. Some dealers reported fears that the province of Ontario could soon suffer a debt rating downgrade.

The TSE-300 index fell 10.53 to 3,253 in volume of 19m shares. Declining shares led those advancing by 263 to 214 with 224 unchanged.

Among active shares, Northern Telecom fell C$¾ to C$52⅞ on profit-taking while Newbridge Networks dropped C$⅞ to C$38¾.

SOUTH AFRICA

JOHANNESBURG ended mixed in sluggish trade, with the all-share index a point higher at 3,048. De Beers and Minorco posted gains on the sharp drop in the financial rand; but industrials lost 11 to 4,067 and golds 4 to 765.

Devaluation pressures lead to different effects

By Antonia Sharpe

RENEWED currency tension and the possibility of devaluation had different effects on continental bourses last week. Swedish equities soared after Sweden abandoned efforts to peg the krona to the European currency unit, but other markets fell as their currencies came under pressure.

According to FT-A World indices, Stockholm jumped 16.3 per cent in local currency terms on the week as investors bought the market's international blue chips in the hope of improved competitiveness and currency translation effects.

But the market only rose by 2.2 per cent in dollar terms, reflecting the effective devaluation of the krona against its major trading partners.

Sweden has had plenty of experience in using devaluation, particularly in the early 1980s: the beneficial effect on the stock market, therefore, is widely known. Unibors Securities notes that when the krona was devalued by 16 per cent in October 1982, the return on the Affärsvärlden general index over the next 12 months was 107 per cent, with the forestry index benefiting the most with a return of 141 per cent, followed by the capital goods index with 117 per cent.

Mr Henrik Breum at Unibors does not expect the same kind of return following last week's devaluation, due to the weak position of both the domestic and the US economies. However, he believes that the Affärsvärlden general index could reach 950 over the next six months from its current 844.9, and reach 1,000 on a 12-month view.

Equities in neighbouring Norway jumped by 7.3 per cent in local currency terms (but by a more moderate 6 per cent measured in dollars) on hopes that Norway would also be forced to devalue its currency.

Spain, up 6 per cent in local currency terms in the wake of better-than-expected inflation data for October, was also seen as a candidate for devaluation last week. This duly occured over the weekend when the peseta was devalued by 6 per cent along with the Portuguese escudo.

Goldman Sachs says that while the gains for Spanish equities in the way of export or translation effects are relatively small, the realignment would probably attract foreign investors and trigger a correction in what it considers to be an undervalued market.

However, fears that their currencies would also come into the firing line contributed to the 3.6 per cent decline (5.6 per cent in dollars) in France and the 3.6 per cent local currency fall (6.3 per cent in dollars) in Denmark.

The fall in France also reflected a belief that interest rates are unlikely to to fall further for some time, as well as disappointment with the recent nine-months results season.

Mr Michael Woodcock at Nikko Securities says that investors are preoccupied with four themes: a cut in rates, the recovery in the dollar, the parliamentary election next March and a new government's privatisation candidates. Furthermore, a number of company chairmen have cautioned that 1993 may remain difficult.

By far the greatest faller on the week was Hong Kong which dropped 8.2 per cent in local currency terms following China's sharp rebuttal of Governor Chris Patten's call for political reforms in the colony. Hoare Govett does not expect an early easing in the political friction and adds that uncertainty remains in the forefront of market sentiment.

However, the broker believes that the resulting volatility may provide some excellent buying opportunities, since corporate fundamentals remain sound, with EPS growth forecasts of 24 per cent this year and 19 per cent next.

The fluctuations in Sweden and Hong Kong failed to have much impact on regional aggregates last week, with Europe up 0.4 per cent and, the Pacific Basin up by 0.1 per cent. The FT-A World index rose 1.1 per cent.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1992	Start of 1992	Start of 1992
Austria	+1.94	-2.30	-19.26	-10.75	+4.70	-14.92
Belgium	+1.00	+2.19	-0.30	-0.60	+16.53	-5.29
Denmark	-3.55	+6.23	-27.45	-25.07	-12.11	-28.57
Finland	-2.31	+11.27	-8.02	+4.74	+4.61	-15.00
France	-3.64	-1.75	-2.21	-2.25	+15.54	-6.10
Germany	-0.34	+0.72	-7.66	-5.17	+11.09	-9.72
Ireland	+1.69	-1.99	-21.39	-20.24	-7.24	-24.62
Italy	-0.95	+10.19	-6.49	-6.00	-3.41	-21.50
Netherlands	-0.45	-0.41	+1.46	+2.87	+20.69	-1.92
Norway	+7.32	+3.84	-18.95	-15.61	-4.00	-21.98
Spain	+5.99	+7.11	-12.82	-12.72	-6.94	-26.00
Sweden	+16.26	+16.19	+6.98	+7.42	+9.27	-11.20
Switzerland	-2.12	-1.68	+8.47	+10.25	+28.37	+4.31
UK	+1.25	+2.56	+9.65	+9.60	+9.60	-10.83
EUROPE	+0.37	+2.03	+1.34	+2.09	+10.55	-10.16
Australia	+3.21	-4.10	-16.56	-17.38	-6.40	-25.56
Hong Kong	-8.23	-7.91	+36.45	+33.97	+65.77	+34.71
Japan	+2.85	-0.85	-26.32	-24.52	-6.52	-24.02
Malaysia	-1.57	+8.28	+24.53	+19.93	+59.13	+29.32
New Zealand	+4.19	+6.18	-8.02	-11.76	+3.52	-15.86
Singapore	-3.44	+5.85	-7.96	-11.11	+8.34	-11.95
Canada	-0.08	+0.44	-8.92	-8.44	+2.00	-17.11
USA	+1.02	+3.24	+13.27	+2.70	+26.37	+2.70
Mexico	+0.53	+5.49	+18.86	+11.98	+34.60	+9.39
South Africa	+0.03	-0.43	-15.79	-15.47	-33.10	-45.64
WORLD INDEX	+1.13	+1.54	-3.57	-6.21	+11.15	-9.67

† Based on November 20th 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities

EUROPE

Bourses swayed by latest currency developments

MADRID offered a muted equity market response to weekend monetary events, but Lisbon picked up and Stockholm showed further enthusiasm for its own realignment, *writes Our Markets Staff.*

MADRID tried to build on last week's strong performance but an early 1 per cent gain for the equity market disappeared as early impetus from the peseta and bonds disappeared. Volume eased to Pta19.4bn from last Friday's Pta22.7bn, and the general index ended 0.71 lower at 212.04.

LISBON rose 0.8 per cent as the weekend devaluation of the escudo prompted domestic investors to buy, in anticipation of an influx of foreign money. But the return of the escudo to its pre-devaluation level kept foreigners away and the BTA index put on 12.9 to 1,661.4 in modest turnover.

STOCKHOLM continued its post-devaluation advance in spite of profit-taking. The Affärsvärlden General index rose 23.8 or 2.9 per cent to 844.9 in turnover of SKr1.43bn, down from Friday's record SKr2.66bn.

Ericsson shares were the most heavily traded as its free B shares closed up SKr8 to SKr173 after recording a 1992 intraday high of SKr176.

The forestry sector, which led Friday's surge, registered more modest gains yesterday as Stora added SKr13 to SKr269.

OSLO fell 2.1 per cent as pressure against the crown eased and investors were no longer convinced that Norway would be forced to devalue its currency. The all-share index dropped 7.52 to 348.75 in moderate trading worth NKr287.9m.

PARIS dropped 2.9 per cent in gloomy trading on the last day of the account on worries about the French opposition to the trade deal struck between the EC and the US. The farmers' demonstration tomorrow, labour unrest in the transport sector and continued weakness in the franc also upset investors. The CAC-40 index fell 49.41 to 1,674.77 in turnover of FFr2.3bn.

Euro Disney plunged FFr4.20 or 6.4 per cent to a record closing low of FFr61.50 on fears that the theme park would be the next target of French farmers' anger against US interests.

Other losers included Chargeurs, down FFr68 to FFr1,182 on disappointing third quarter results, and Suez, down FFr14.50 to FFr229.80 as a block of 270,000 shares was crossed. Shares in Hachette, Matra and MMB were suspended amid speculation that a new share swap parity would be announced today.

FRANKFURT was depressed by disappointing third-quarter figures from Bayer and by more talk of production cutbacks in the car industry.

Early gains on a firmer dollar and vague hopes that the weekend's ERM realignment offered the chance for a German interest rate cut were quickly dissipated and the DAX closed 13.87 lower at 1,530.89.

Turnover fell from DM4.4bn to DM3.8bn. After adjusting Hoechst's figures last week, Bayer's 32 per cent drop in profits was the best performance in its group but it was still worse than expected. Bayer dropped DM5.70 to DM254.80 while BASF and Hoechst lost DM3.60 to DM204.10, and DM3.80 to DM238.10 respectively.

Among carmakers, talk of further production cutbacks at Daimler and Volkswagen depressed the sector, BMW falling DM6.40 to DM496.10, Daimler by DM6.60 to DM530 and VW by DM2 to DM285.50.

AEG rose sharply following a weekend report of cooperation talks with Siemens on railway systems, but subsided to close DM2.70 higher at DM159.20 after DM164 after an AEG spokesman said talks were still at an early stage.

MILAN came off early highs as a burst of euphoria generated by the state food group, Sme, petered out. The Comit index closed up 2.92 at 461.99 in turnover estimated at around Friday's L279bn.

Trading in shares of Sme resumed yesterday after the shares' suspension all last week, but dealing stopped almost at once because of excessive gains. News of the government's privatisation plans sent the shares rising to L6,000 from L5,533 more than one week ago before trading stopped. The shares closed finally at L5,399, down L134 or 2.5 per cent from its last close on November 13.

BRUSSELS saw trading resume in Banque Bruxelles Lambert (BBL) after a two-day suspension and the shares dropped BFr315 or 9.5 per cent to BFr2,985 on disappointment that the Dutch group, ING, was not going ahead with its takeover of BBL. The Bel-20 index fell 5.59 to 1,137.23.

HELSINKI recovered in late trade on hopes that a wide labour market conflict could be avoided this week. The Hex index closed 9.3 or 1.2 per cent lower at 785.0.

FT-SE Actuaries Share Indices

November 23 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1047.57	1048.31	1048.45	1046.13	1044.43	1042.01	1038.72	1038.38
FT-SE Eurotrack 200	1117.14	1117.60	1117.62	1117.36	1116.13	1114.38	1111.37	1110.18

	Nov 20	Nov 19	Nov 18	Nov 17	Nov 16
FT-SE Eurotrack 100	1051.29	1047.93	1051.36	1056.32	1058.27
FT-SE Eurotrack 200	1117.40	1110.76	1106.59	1109.66	1110.19

Base value 1000 (26/10/90) High/day: 100 - 1048.65; 200 - 1119.42 Low/day: 100 - 1037.52 200 - 1110.18

ASIA PACIFIC

Australia shows accelerated recovery

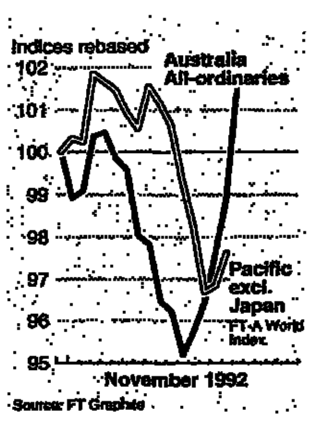
TOKYO was closed yesterday for the Labour Thanksgiving Day holiday. Attention in the region focused on the accelerated recovery in Australia, and the relative lack of momentum in Hong Kong, writes Our Markets Staff.

AUSTRALIA notched up its biggest one-day gain since April 10, aided by heavy bargain-hunting. The All-Ordinaries finished 36.3 higher at 1,446.4.

Turnover reached 95.65m shares worth A$234m and a further 16.4m in options were traded. Rises outperformed falls by a margin of seven to three.

Brokers said that the market was also aided by option players moving to cover short positions, strong gains in futures and some positive news from the sugar producer and building group, CSR.

CSR jumped 16 cents to A$3.63 on a 23 per cent rise in interim profits and the forecast of further growth in the remainder of this year. Its joint partners in a new A$335m cement group, announced on Friday, also made strong gains. Pioneer closed 9 cents nine stronger at A$2.29 and *Adelaide Brighton was 5 cents* better at A$1.54.



Source: FT Graphite

SEOUL finished higher in active trade with financial and bank shares in the lead. The composite index closed 15.38 higher at 669.46 as 45.3m shares changed hands against 25.79m in Saturday's half-day session.

The government's move to cut interest rates left most financials and banks at their limit highs. Kepco, the electricity generator which is the most heavily weighted share in the market, also hit its daily limit, rising Won1,000 to Won24,300. Foreign investors will be allowed to invest in Kepco from today.

NEW ZEALAND saw sharp rises in small rural stocks following the weekend rescue for the Gatt trade talks. But the gains were selective and the NZSE 40 index closed only 10.2 higher at 1,456.79 in turnover of NZ$21m which moderate for a Monday.

SINGAPORE consolidated and the Straits Times Industrial index rose 5.39 to 1,419.21 in volume of 147.6m shares, up *from 138.8m on Friday.*

A block deal of 40m United Industrial Corporation shares was completed late in the day at 98 Singapore cents.

KUALA LUMPUR reflected both bargain-hunting and profit-taking as the composite index closed 1.19 higher at 643.79. Kelang Container made an impressive debut, closing at M$8.40 after a high of M$9 compared with its offer price of M$3.10; it was the most active stock, trading in 20m shares.

BANGKOK's property companies registered a good recovery from heavy losses recently, but brokers said that investors had not yet regained their full confidence following the crackdown on share manipulation.

The SET index rose 3.35 to 875.07 in moderate turnover of Bt9.14bn. Bangkok Land jumped Bt6 to Bt109, Krisda Mahanakorn Bt3 to Bt134, and Tanayong Bt2.50 to Bt89.50.

MANILA slid in light trading but brokers still said that they expected a rally led by oversold commercial issues. The composite index shed 4.06 to 1,299.57.

TAIWAN reversed early gains in profit-taking to end slightly lower in moderate trade, the weighted index closing 13.20 lower at 3,698.51 in turnover up from T$7.8bn to T$9.4bn.

BOMBAY ended higher with state-owned mutual funds buying up most of the available stocks in the market. The BSE index rose 50.91 to 2,530.47.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY NOVEMBER 20 1992								THURSDAY NOVEMBER 19 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	112.29	+1.4	109.49	88.12	93.03	109.08	+1.4	4.47	110.70	107.09	86.38	90.87	107.57	153.68	108.18	156.21
Austria (19)	141.69	−0.9	138.16	111.20	117.39	117.10	−0.1	2.41	142.97	138.32	111.57	117.37	117.24	186.70	136.51	176.49
Belgium (42)	136.70	−0.3	133.29	107.27	113.25	110.57	+0.8	5.57	137.05	132.59	106.94	112.51	109.68	152.27	134.41	137.45
Canada (113)	112.98	+0.9	110.16	88.66	93.59	104.51	+1.2	3.32	111.98	108.33	87.38	91.92	103.26	142.12	111.36	137.56
Denmark (34)	190.82	−2.8	186.06	149.75	158.08	160.84	−1.3	1.70	196.28	189.89	153.17	161.13	162.91	273.94	184.18	262.59
Finland (15)	66.32	+0.4	64.67	52.05	54.94	70.92	+0.6	1.99	66.08	63.93	51.57	54.25	70.52	89.80	52.84	79.76
France (99)	141.28	−1.0	137.74	110.85	117.02	119.55	+0.0	3.77	142.74	138.09	111.38	117.16	119.51	168.75	141.26	141.73
Germany (64)	105.92	−1.4	103.28	83.13	87.75	87.75	−0.5	2.62	107.44	103.94	83.85	88.20	88.20	129.69	102.51	115.26
Hong Kong (53)	237.58	+0.3	231.66	186.44	196.83	235.97	+0.3	3.81	236.76	229.05	184.75	194.37	235.18	262.28	176.36	175.57
Ireland (16)	126.50	+2.5	123.34	99.27	104.80	107.93	+3.8	5.06	123.43	119.41	96.32	101.33	104.02	173.71	122.98	162.35
Italy (77)	59.18	−2.2	57.70	46.44	49.02	60.79	−0.9	3.42	60.53	58.56	47.24	49.69	61.33	80.86	47.47	71.64
Japan (472)	103.19	−0.4	100.61	80.98	85.50	80.98	+0.2	1.04	103.58	100.20	80.83	85.04	80.83	140.95	87.27	134.69
Malaysia (69)	276.97	+1.4	270.07	217.35	229.45	269.19	+1.4	2.43	273.06	264.16	213.07	224.15	265.48	282.42	212.49	207.13
Mexico (18)	1521.77	+0.2	1483.83	1194.25	1260.73	5179.50	+0.2	1.16	1518.92	1469.45	1185.29	1246.91	5167.30	1789.77	1185.84	1330.21
Netherland (25)	149.75	−0.7	146.01	117.52	124.06	122.51	+0.3	4.64	150.80	145.89	117.67	123.80	122.17	169.70	147.88	148.25
New Zealand (13)	39.53	−0.5	38.54	31.02	32.75	40.74	−0.1	5.59	39.73	38.44	31.01	32.62	40.77	48.52	37.39	48.93
Norway (22)	139.49	+6.5	136.01	109.47	115.56	122.16	+6.7	1.98	130.98	126.72	102.21	107.53	114.54	192.95	128.05	181.25
Singapore (38)	193.42	+0.1	188.59	151.78	160.23	145.78	+0.2	2.26	193.26	186.97	150.81	158.65	145.52	229.63	179.65	208.64
South Africa (60)	135.31	−0.5	131.94	106.19	112.10	146.23	+0.2	3.51	136.02	131.59	106.14	111.66	145.91	263.60	135.31	270.26
Spain (48)	115.75	−2.6	112.86	90.84	95.89	100.01	−1.8	6.01	118.89	115.02	92.78	97.60	101.82	161.72	107.10	148.13
Sweden (31)	160.85	+6.9	156.84	126.23	133.26	159.66	+9.8	2.46	150.42	145.52	117.38	123.48	145.46	200.28	149.69	170.73
Switzerland (60)	104.70	−0.1	102.09	82.17	86.75	92.95	−0.1	2.30	104.79	101.37	81.78	86.03	93.06	122.37	95.99	96.48
United Kingdom (228)	165.08	+0.1	160.96	129.54	136.75	160.96	+0.9	4.56	164.90	159.53	128.67	135.36	159.53	200.07	161.86	176.11
USA (522)	174.47	+0.7	170.12	136.92	144.55	174.47	+0.7	2.91	173.21	167.57	135.17	142.20	173.21	174.47	160.92	153.07
Europe (780)	132.68	−0.4	129.38	104.13	109.93	119.91	+0.5	3.92	133.20	128.87	103.95	109.35	119.31	156.88	131.85	141.36
Nordic (102)	146.76	+3.7	143.10	115.17	121.59	131.97	+5.9	2.19	141.49	136.88	110.41	116.15	124.62	188.52	141.24	178.55
Pacific Basin (713)	107.88	−0.2	105.19	84.66	89.38	86.43	+0.3	1.40	108.12	104.60	84.37	88.76	86.20	141.97	93.70	136.19
Euro−Pacific (1493)	117.92	−0.3	114.98	92.53	97.68	99.87	+0.4	2.55	118.27	114.42	92.28	97.08	99.50	145.21	113.80	138.59
North America (635)	170.66	+0.7	166.40	133.94	141.41	169.72	+0.7	2.93	169.41	163.90	132.22	139.10	168.46	170.66	158.70	152.03
Europe Ex. UK (552)	113.10	−0.7	110.28	88.78	93.72	97.60	+0.2	3.47	113.95	110.24	88.94	93.57	97.38	132.98	112.24	120.42
Pacific Ex. Japan (241)	153.98	+0.8	150.14	120.88	127.58	141.97	+0.8	3.74	152.74	147.77	119.21	125.40	140.83	175.31	149.00	151.04
World Ex. US (1684)	118.79	−0.3	115.83	93.23	98.41	101.78	+0.4	2.57	119.10	115.22	92.94	97.77	101.38	146.91	115.99	140.70
World Ex. UK (1978)	133.93	+0.2	130.59	105.11	110.97	120.47	+0.5	2.51	133.71	129.35	104.34	109.77	119.88	150.58	127.21	140.74
World Ex. So. Af. (2146)	136.77	+0.2	133.36	107.34	113.32	123.80	+0.5	2.71	136.54	132.09	106.56	112.10	123.14	153.05	130.04	142.97
World Ex. Japan (1734)	155.58	+0.3	151.70	122.11	128.91	149.16	+0.7	3.29	155.04	149.99	121.00	127.30	148.18	165.40	151.93	150.03
The World Index (2206)	136.64	+0.2	133.23	107.23	113.21	124.06	+0.5	2.72	136.42	131.98	106.46	112.00	123.39	153.70	130.66	143.82

Latest prices were unavailable for this edition.